

Algeria	54.22	Indonesia	18.5100	Philippines	28.20
Argentina	10.7500	Italy	18.1500	Portugal	10.100
Australia	10.7500	Japan	100.0000	S. Africa	10.100
Canada	10.7500	South Korea	25.410	Singapore	25.410
Chad	10.7500	Taiwan	10.7500	Spain	10.7500
Czechoslovakia	10.7500	Thailand	10.7500	Sweden	10.7500
Denmark	10.7500	USSR	10.7500	Switzerland	10.7500
France	10.7500	West Germany	10.7500	Tanzania	10.7500
Germany	10.7500	Yugoslavia	10.7500	Uganda	10.7500
Greece	10.7500	Zambia	10.7500	U.S.A.	10.7500
Hong Kong	10.7500				
India	10.7500				

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Friday May 15 1987

No. 30,234

D 8523

Japanese economy:
arm-twisting will
not work, Page 15

Judge suspends Barbie trial

THE LYON trial of Klaus Barbie, charged with crimes against humanity, again broke up in disorder as his accusers disrupted proceedings.

Passions ran high in the court and police attempted to arrest spectators who shouted "shame" after the judge suspended the hearing. Barbie failed to appear in court, having walked out of the court on Wednesday, claiming that there was no legal obligation to attend. Page 2

Jaffna attack 'plan'

Pressure is growing on Sri Lankan President Jinnas Jayawardene to abandon plans his Government is believed to have drawn up to try and capture the city of Jaffna, stronghold of Tamil separatist movement, in the north of the island. Page 4

Rebels kill 12

Tamil separatist guerrillas launched fresh attacks with mortar bombs, landmines and guns in the Buddhist holy week of Vesak in Sri Lanka killing 12 people in 24 hours, a government spokesman said.

Sihanouk steps down

Prince Norodom Sihanouk declared that he would step down for a year in disgust at the killing of his men by Khmer Rouge allies, depriving the anti-Vietnam Kampuchean guerrilla coalition he leads of its most prestigious figure.

Tax cuts promise

Britain's Chancellor of the Exchequer, Nigel Lawson, promised cuts in income tax, more privatisation and even wider share ownership as further opinion polls pointed to a large Conservative lead. Page 6

Turkish amnesty vote

The Turkish parliament voted 310-56 in favour of a bill allowing such former political leaders as Süleyman Demirel and Bülent Ecevit to return to political activity.

Egypt cuts links

Egypt is breaking off all relations with Iran and has arrested 37 Moslem extremists from a group allegedly funded by Tehran.

Bonnici in hospital

Malta's former Premier Carmelo Mifsud Bonnici, beaten in Saturday's elections, is in hospital after suffering a heart attack. Malta's new Cabinet, Page 2

US hostage video

The Beirut kidnappers of American academic Alan Stein issued a video of him, the first evidence in six weeks that he was still alive.

Iran gets assets

Iran said it had received \$45m in assets frozen by the US, and handed over in compliance with the order of an international tribunal.

Ethiopian relief

The International Committee of the Red Cross said it had received permission from the Ethiopian Government to resume some food aid distribution in the troubled northern province, suspended last December.

Pakistan bus bomb

A powerful bomb blamed by police on Afghan agents blew apart a bus, killing seven people in the north-western Pakistani town of Peshawar, doctors said.

Aircraft damaged

A Sudanese Hercules air transport aircraft sustained minor damage when it was hit by a shell fired by anti-government rebels as it flew over south-west Sudan, the Khartoum daily Ash-Ayam reported.

Yamani move

Switzerland has given permission for former Saudi Oil Minister Sheikh Ahmed Zaki Yamani to live in the alpine resort Crans-Montana. He owns several properties in the country, where he has business interests.

Eurofer fails to agree cuts in output

Eurofer, the "club" of major integrated European steel makers, said it could not agree on enough voluntary capacity cuts to meet European Commission demands.

The political backing of member states for further plant closures would be required if the Commission's objective of a 25m to 30m tonne reduction in annual capacity was to be achieved.

DEUTSCHE Bank, West Germany's largest, announced plans to raise nearly DM 1.2bn (\$670m) through a rights issue. It said operating profits in the first four months were down on the same period last year. Page 17

WALL STREET: At 3pm the Dow Jones industrial average was down 5.83 at 2,324.05. Page 40

TOKYO: Rice chips and stocks related to domestic demand led a rally which took the Nikkei average to a record high. The index closed up 228.25 at 24,851.44. Page 40

LONDON: Good company news and bullishness over Mrs Thatcher's prospects of electoral success sent equities into record territory. The FT-SE 100 index rose 16.8 to a record 2,180.0. The FT Ordinary index added 3.7 to close at 1,684.2. Page 40

DOLLAR closed in New York at DM 1.7810; SF 1.4630; FF 5.9485 and Y139.15. It fell in London to DM 1.7870 (DM 1.7900); to Y139.50 (Y139.70); to SF 1.4680 (SF 1.4710); and to FF 5.9825 (FF 5.97). On Bank of England figures the dollar's exchange rate index was unchanged at 100.1. Page 30

STERLING closed in New York at \$1.8805. It rose in London to \$1.8780 (\$1.8715); to DM 2.9975 (DM 2.9925); to Y234.10 (Y233.50); to SF 2.4850 (SF 2.4800); and to FF 10.0050 (FF 9.98). The pound's exchange rate index rose 0.1 to 73.7. Page 30

GOLD fell to \$480.75 on the London bullion market (\$481.25). In Zurich it rose to \$481.00 (\$480.50). Page 38

PLISSEY, UK electronics group, won an A\$350m (\$250m) Australian Ministry of Defence contract for a tactical radio communications system. Page 6

FINANCIAL Corporation of America, the major US savings and loans group, has been discussing the possibility of a takeover by HF Holdings, a company formed by Mr William Simon, a former US Treasury Secretary, and Mr Preston Martin, former Federal Reserve Board chairman. Page 18

AMSTERDAM'S stock exchange is energetically promoting trade in overseas stock in a bid to compete with London as Europe's share dealing centre. Page 40

TRADING levels in UK bonds and shares fell back last month as renewed uncertainty over the dollar trimmed participation by overseas investors. Page 40

ACEC, the Belgian electrical and electronic engineering company, intends to reduce its 51 per cent stake in the Portuguese company EFA-CEC to 10 per cent by means of a public sale. Page 18

PHILIPPINES Government elected a majority of directors in food and consumer goods group San Miguel, removing the threat of a takeover by the company's management team. Page 19

NORTHERN IRELAND'S industrial investment recorded last year, rising 56 per cent to £311m (\$516m), says the region's industrial board. Page 8

SAATCHI & SAATCHI, world's largest advertising group, more than doubled interim taxable profits to £38.2m (\$93m). Page 24

WEST Germany's largest management buy-out, worth about DM 100m and involving the European machine tool division of Ex-Cell-O of the US has been completed by the Hamburg-based operation of J. Henry Schroder Wagg, the UK merchant bank. Page 17

SEA Containers, the Bermuda-registered container leasing, ports and ferries group, announced first quarter losses of \$12.9m or \$1.67 a share, down from the deficit a year earlier. Page 17

Britain lines up with US over arms negotiations

BY ROBERT MAUTHNER IN LONDON AND DAVID BUCHAN IN STAVANGER

THE BRITISH Government yesterday made it clear for the first time that it was prepared, in principle, to accept the so-called "double-zero option" proposed by Mr Mikhail Gorbachev, the Soviet leader, under which all categories of medium-range nuclear missiles would be eliminated from Europe.

A statement issued by the Foreign Office effectively put an end to several weeks of speculation about Britain's stand on Mr Gorbachev's proposal, tabled during the visit of Mr George Shultz, the US Secretary of State, to Moscow last month.

The Soviet leader, in a surprise move, suggested on that occasion that an agreement on the abolition of Intermediate Range Nuclear Forces (INF) in Europe should cover not only long-range weapons in this category - 1,000km to 5,000 km - but also shorter 300 km to 1,000 km range missiles.

Meanwhile, Mr George Younger, the British Defence Secretary, said yesterday that Britain might offer itself as a base for submarine-launched US cruise missiles and more US nuclear armed aircraft, as helping to compensate NATO for loss of medium-range ground-based missiles in an arms control deal with Moscow.

Speaking in Stavanger, where he was attending a meeting of NATO Defence Ministers, Mr Younger said, however, that such compensatory reinforcement could only be

decided after the superpowers had agreed a deal on medium and shorter range missiles in Europe. Only then could NATO decide what gaps such a deal might create in its flexible response strategy and how to fill them.

Before yesterday's clarification of London's position on Mr Gorbachev's offer, which aligns British policy with that of the US Administration, it was generally assumed that Mrs Thatcher's Government was fundamentally hostile to completely abolishing shorter-range INF weapons in Europe.

Though the official NATO position, fully backed by its European members, has always been that any INF agreement involving the elimination from Europe of Soviet SS-20s, US Pershing 2 and ground-launched cruise missiles must include "constraints" on shorter-range weapons, it stopped short of calling for their abolition.

The European NATO countries, with West Germany and France in the vanguard and the less vociferous backing of the British Government, have constantly pointed out that the elimination of all medium-range nuclear weapons from Europe would make them much more vulnerable to attack by the Warsaw Pact's more numerous conventional forces.

It was also argued in Bonn, Paris and London that such a solution

would remove an important stage in NATO's strategy of "flexible response" and devalue the whole concept of nuclear deterrence by being entirely on the improbable use of "holocaust" strategic nuclear weapons.

Significantly, the Foreign Office statement did not amount to either a complete or unqualified commitment to the "double zero option". It stressed that the conditions of such an agreement must "adequately safeguard western security", which means, above all, that it must provide for watertight verification procedures.

The statement also emphasised that a zero/zero solution was only one of several options that could be chosen by the alliance. The NATO requirement that an INF agreement should contain constraints on shorter-range weapons could also be met by the establishment for these arms of "equal ceilings at various levels down to zero".

However, such a solution, which would involve the deployment of new shorter-range weapons in NATO countries, currently deprived of missiles in the 500km to 1,000km class, has so far been rejected by Mr Gorbachev. It is also plain that, by putting it on the record that it is prepared to accept a double-zero solution, the British Government is in effect stating its preference.

NATO leaders, Page 2

South Africa expels two UK television reporters

BY ANTHONY ROBINSON IN JOHANNESBURG

THE SOUTH AFRICAN Government yesterday ordered two British television reporters, Mr Michael Buick of BBC-TV and Mr Peter Sharp of ITN, to leave the country within their work permits expire at the end of next week. They have also had their normal visa exemptions as UK passport holders lifted.

In future they will have to obtain visas to enter the country. Both men, whose work is familiar to millions of television viewers, are veteran, professional reporters of African affairs. Mr Buick is the winner of 13 international awards.

Seven other journalists have been expelled over the past 18 months during which the press has been attacked frequently by President P.W. Botha and other senior officials for allegedly fomenting the unrest which has killed more than 2,500 people over the past three years.

The Foreign Correspondents Association last night accused the Government of having "resumed an

attack on press freedom unparalleled in recent times." It warned: "There is every sign that the Government intends to end independent coverage of the South African social conflict because it believes that secrecy will help it win."

The latest expulsion notices come a week after elections in which more than 80 per cent of white voters endorsed apartheid and emergency restrictions which include tight media curbs on coverage of security force action, "subversive statements" and violent protest.

The two men have no right of appeal against the decision by the Minister of Home Affairs, which also requires no explanation.

In private, however, both were told by senior officials that their coverage provoked anger at the highest levels of government and broke censorship regulations.

The last straw was their recent coverage of campus riots at the University of Cape Town and police op-

erations around Cosatu House, the Johannesburg headquarters of many black trade unions, they were told.

Lawyers for both television companies rejected allegations that they had broken the law, basing their argument on a recent Natal court ruling which lifted many of the emergency restrictions.

The police, however, reacted to the court's ruling by simply announcing their intention to ignore it. The decision not formally to expel the two men but merely refuse to prolong their work permits means that they will be forced to leave the country without having an opportunity to defend the legality of their coverage in the courts.

It also appears to be part of a general post-election crackdown. Earlier this week, the Government told Dr Jon Lewis, a British-born academic and editor of the S.A. Labour Bulletin to leave within 30 days.

GE takes control at Peabody

BY JAMES BUCHAN IN NEW YORK

GENERAL ELECTRIC (GE), the big US consumer and industrial products group, yesterday stepped in to take management control of Kidder Peabody, its investment banking subsidiary which has been badly tarnished by the Wall Street insider-trading scandal.

GE, which spent more than \$400m in acquiring about 80 per cent of the blue-chip investment bank for its financial services group last summer, announced that Mr Ralph DeNunzio, chief executive of Kidder for 20 years, was stepping down.

Mr DeNunzio, 55, is to be replaced by Mr Elias Cathcart, a GE board member since 1972. Mr John Roche, chief operating officer at Kidder, has also resigned, to be replaced by Mr Max Chapman, the chairman of Kidder's broker dealer

subsidiary, who had widely been seen as Mr DeNunzio's likely successor before the scandal broke.

Two other GE officials have been named to senior positions at the medium-sized investment firm. Analysts said yesterday that GE, an acquisitive company that last year bought RCA, the electronics group, for \$6.6bn, traditionally preferred its own people running major subsidiaries.

"They've moved faster than they normally would because Kidder is tainted by the insider trading scandal," said Mr Ferris Long, an analyst at Lipper Analytical Services.

Mr Martin Siegel, a former mergers and acquisitions specialist at Kidder, has confessed to running an insider trading ring while at the bank. The US Attorney has charged two other former Kidder officials,

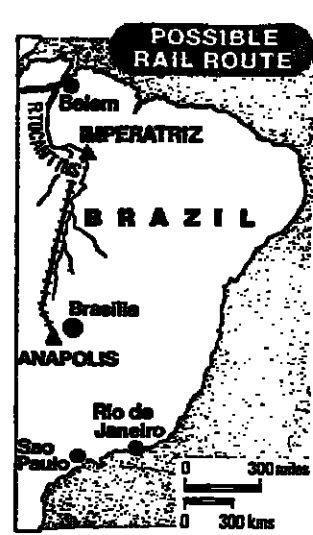
Mr Timothy Tabor and Mr Richard Winton, with making "millions of dollars in illegal profits" for the firm.

Kidder itself has not been indicted, although it is reported to have held negotiations over a civil settlement with the Securities & Exchange Commission.

Mr DeNunzio, 55, was a successful chairman of the New York Stock Exchange in the early 1970s. He presided over the negotiations with GE when a shortage of capital and the firm's own caution threatened Kidder with being left behind similar-sized investment banks such as Morgan Stanley.

He remains chairman of Kidder. Mr Cathcart, 61, is a former chairman of Illinois Tool and has served on several corporate boards.

Insider dealing, Page 3



Brazilian railway scandal revealed

By Ivo Dawson in Rio de Janeiro

A MAJOR scandal has erupted in Brazil over contract tendering for the already controversial \$2.4bn North-South railway, planned by the Government to link the country's underpopulated central region with ports in the mouth of the Amazon.

The new row came when a Sao Paulo newspaper revealed on Wednesday that winners of contracts to build 18 stretches of track had been covertly announced in a coded advertisement in its pages five days earlier.

Not only was the advertisement published long before the final decision was due to be taken, but it was also ready for the newspaper presses even before the sealed envelopes containing the tenders were due to be opened.

The scandal, reminiscent of alleged murky dealings behind several grandiose federal projects during Brazil's 21-year military dictatorship, has added to the problems of President Jose Sarney's politically enfeebled Government.

Mr Sarney is personally strongly committed to the so-called grain railway project as an essential step for opening up the country. Critics, however, argue that the scheme is "Pharisaic", a railway from nowhere to nowhere and an expensive and unnecessary toy for the region, which includes Mr Sarney's own home state of Maranhao.

The controversy had long dominated headlines even before the new revelations. But it was only this week, after the declaration of the contract winners came from the Ministry of Transport and Valec, the state company supervising the project, that an investigative reporter spotted they coincided exactly with the coded advertisement buried in the previous week's classifieds.

The Folha de Sao Paulo newspaper Continued on Page 16

Bonn dashes hopes of early tax cuts

BY DAVID MARSH IN BONN

MR GERHARD STOLTENBERG, the West German Finance Minister, yesterday dashed hopes of action to stimulate his country's economy, raised just a day before at a meeting of international policymakers in Paris.

At a press conference to spell out the Finance Ministry's latest position on the federal budget, Mr Stoltenberg said West Germany had already gone to the "utmost limit" of its ability to boost growth prospects through tax policy.

Mr Stoltenberg showed some irritation at continued suggestions from abroad, raised above all by the US at this week's ministerial talks at the Organisation for Economic Co-operation and Development in Paris, for measures to boost flagging German growth.

Pointing out that the federal budget deficit would rise next year to almost DM 30bn (\$18.7bn) from DM 26bn originally planned last year, Mr Stoltenberg said calls from "friendly countries" for a more expansive budget policy were unjustified.

His remarks came after the West German Government, represented in Paris by Mr Martin Bangemann, the Economics Minister, hinted it would bring forward large tax cuts planned for 1990 if this year's growth outlook became seriously clouded.

Mr Stoltenberg, however, scotched any idea of action to bring forward DM 5bn of extra tax cuts

planned to come into effect in January 1988. These extra tax cuts, decided in February, will be in addition to DM 9bn of tax reductions already due to take effect in the new year.

Including the large DM 25bn net tax cut in 1990, Mr Stoltenberg said the centre-right coalition Government was now bringing in tax cuts in three stages between January 1986 and January 1990 which would add up to nearly DM 50bn or about 2.5 per cent of gross national product.

He termed this "quite exceptional" in comparison with tax cutting efforts by other industrialised nations.

The West German Government has revised down its forecast for economic growth this year to just under 2 per cent compared with the official forecast in January of 2.5 per cent.

However, senior officials say in private that, even if they were sufficiently worried about the slowdown to want to take action, they would not know what to do.

Pointing out that the budget deficit was already expanding because of lower tax revenues, and that the Bundesbank the West German central bank, was continuing to cut German interest rates despite above-target monetary expansion, one senior official asked rhetorically yesterday: "What should we do?"

Continued on Page 16

UK moves to limit rise of sterling

BY PHILIP STEPHENS AND JANET BUSH IN LONDON

THE BANK of England hinted yesterday that sterling is now at the very top of the band considered acceptable by the authorities and that it would welcome some modest weakening in the pound's value against other major currencies.

The suggestion, which came with the publication of the Bank's latest Quarterly Bulletin, coincided with renewed official intervention on foreign exchange markets to offset still-rising overseas demand for the pound.

Sterling strengthened yesterday in response to two new opinion polls showing Prime Minister Margaret Thatcher's Conservatives well in the lead over opposition parties at the beginning of Britain's general election campaign and in response to a weaker dollar.

The Bank was reported to have

intervened ostentatiously several times in European trading as the pound approached the key DM 3.00 level. It appeared, however, that the amounts of sterling sold were not as large as on some occasions in recent weeks.

The Bulletin provides an upbeat assessment of Britain's short-term economic prospects but makes clear that the authorities want to preserve the boost to industrial competitiveness flowing from last year's devaluation of the pound.

Sterling has risen since February by 7 per cent against the currencies of Britain's major trading partners, eroding perhaps half of the competitive gains.

Continued on Page 16

Bank of England report, Page 8; money markets, Page 29

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HOW US FOREIGN POLICY WAS HIJACKED



Former presidential adviser Robert McFarlane's testimony to the Iran Contra hearings has been a revelation. Page 3

Airbus: finance begins to roll in 2

Shipbuilding: battle to build the world's biggest icebreaker 5

World gas industry: Algeria yields to pressure on pricing 10

AMERICAN NEWS

Canada's NDP surges ahead in opinion poll

BY BERNARD SIMON IN TORONTO

THE RESURGENCE of Canada's left-leaning New Democratic Party (NDP) has been dramatically confirmed by a public opinion poll which puts it, the smallest group in parliament, ahead of both the ruling Progressive Conservatives and the main opposition Liberal Party.

The NDP's rising popularity comes amid moves by Mr John Turner, the opposition leader, to tighten discipline in the Liberal Party caucus following a number of public disagreements over key policy issues.

According to a countrywide poll by Angus Reid of Winnipeg, the NDP enjoys the support of 37 per cent of decided voters, putting it ahead of the other two parties for the first time in its 26-year history.

The Liberals stand at 36 per cent, with the Conservatives trailing at 25 per cent. A Gallup Poll published yesterday continued to put the Liberals in first place.

As Canada's "party of protest", the NDP has in the past seen surges in its support between elections as voters shy away from its mildly socialist policies. But the results of the Reid survey indicate that the party may be emerging as a more potent and durable force in

Canadian politics than it has been up to now.

With only 30 of 282 seats in the House of Commons, the New Democrats' support is traditionally centred among trade unions, academics and prairie populists. The NDP has benefited recently from disaffection with the two main parties, especially in the key province of Quebec where it has hitherto had virtually no presence.

The party, led by former political science Professor Mr Edward Broadbent, has tried to keep public attention off the more radical parts of its platform, such as a pledge to take Canada out of Nato and to nationalise one of the big Canadian banks.

Much of NDP's recent advance has come at the expense of the Liberals, whose members are sharply divided on such issues as free trade with the US, and the accord reached earlier this month to bring Quebec into the Canadian constitution.

Mr Turner warned Liberal MPs at a caucus meeting that failure to toe the party line would jeopardise the party's chances in the next federal election, expected to take place either next year or in 1989.

McFarlane fails to recall meeting with King Fahd

BY LIONEL BARBER IN WASHINGTON

MR ROBERT MCFARLANE, President Reagan's former National Security Adviser yesterday said he did not recall meeting King Fahd of Saudi Arabia to solicit a contribution with the Nicaraguan Contra rebels.

The Washington Post reported that Mr McFarlane requested \$8m to \$10m from the Saudis in May or June 1984. A second attempt to obtain money came the following year during a state visit by King Fahd when Mr McFarlane asked the Saudi ambassador to the US for \$15m.

The question of Saudi contributions to the Contras during the 1985 congressional ban on US military aid and official fund-raising has become an

important and sensitive aspect of the Iran-Contra hearings on Capitol Hill. The Saudis are estimated to have sent around \$80m to the Contras but US officials may have committed an illegal act in soliciting the money during the aid ban.

Yesterday, a weary looking Mr McFarlane, on his fourth day of testimony, told the House-Senate panel that he had been telephoned twice by Mr Reagan in the six months since it was revealed that between \$10m and \$30m was diverted from secret US arms sales to Iran to the Contras. He said Mr Reagan told him this week that he thought the hearings "shed more light" on the Iran-Contra scandal.

Increased exports help shrink US trade deficit

By Stewart Fleming, US Editor, in Washington

A NEAR record surge in exports helped to shrink the US merchandise trade deficit to \$12.6bn in March—compared with \$15.5bn in February.

But the March data underscored the sluggishness in the improvement in trade picture, in value terms.

Although exports rose by 12.9 per cent (or \$3.6bn) to \$21bn, their highest monthly level since 1981, imports also rose significantly in value terms—by \$3.5bn, or 2.9 per cent, to \$34.6bn.

Behind the dollar amounts, however, economists detect a continuing trend towards a decline in the real trade deficit in volume terms. The decline in the value of the dollar over the past two years makes exports cheaper, in dollar terms, and imports more expensive. Thus the volume increase in goods exported will be higher than the increase in value.

The US Administration is seeking to put the best interpretation on data which, so far this year, suggests that the trade deficit is running at an annual rate of \$164bn—not far below the deficit of \$166bn in 1986. It is highlighting the underlying improvement in trade volumes.

Mr Malcolm Baldrige, the Commerce Secretary, repeated Administration claims that the trade deficit is showing an "improving trend," and that the improvement is even stronger in the "price-adjusted trade flows."

Worrying to the Administration in political terms, however, is that the monthly numbers are not improving significantly. Such an improvement might help the administration in its battle with Congress over trade legislation.

Also, there were reports yesterday that the latest calculations of the 1986 budget deficit by the Office of Management and Budget indicate that the deficit picture is deteriorating again.

The White House has recalculated the 1986 budget deficit from the \$160bn, contained in the president's budget in January, to \$135bn.

The figures are widely dismissed on Wall Street as hopelessly optimistic.

NY insider dealing prosecutor stumbles

BY JAMES BUCHAN IN NEW YORK

FOR A YEAR, the prosecutors of insider trading on Wall Street had all the shots. Since May 12, 1986, when the arrest of Mr Dennis Levine, a managing director of Drexel Burnham Lambert, shook the securities industry, the prosecution has extracted no fewer than 10 confessions of guilt from a terrified Wall Street.

Everybody wanted to do deals. Levine informed on Mr Ivan Boesky, the arbitrator, or speculator in takeover stocks, who informed on Mr Martin Siegel, who confessed to running an insider trading ring with three arbitrageurs at Kidder Peabody and Goldman Sachs.

Nobody knew where the daisy-chain would end. Mr Gary Lynch, head of enforcement at the Securities and Exchange Commission, became a household name. Mr Rudolph Giuliani, the federal

district attorney in Manhattan, was mentioned as a candidate for any office he wanted—even, it was said, the highest of all.

At 5 pm on Wednesday in a New York courtroom, the prosecution was revealed for what it has always been, underneath Mr Giuliani's flair and luck—an understaffed, overworked operation faced by mountains of paper, formidable legal adversaries and ill-defined laws.

In petitioning for a dismissal of its indictment against the three traders indicated by Mr Siegel, Mr Giuliani said he needed time to prepare a more extensive case, involving other conspirators.

However, a star team of defence lawyers, which has consistently argued that Mr Siegel is a self-serving witness, accused Mr Giuliani yesterday of trying to prop up a shaky case.

Other lawyers say he has suffered a reverse which raises doubts about his ability to prosecute a trial for an offence that is notoriously hard to prove without an admission of guilt. Mr Giuliani says he will seek a new indictment, but this will be more open to challenge from defence counsel, lawyers say.

The three traders were not flamboyant outsiders like Mr Boesky, but senior executives at the most blue-chip investment firms: Mr Robert Freeman, partner in charge of risk arbitrage at Goldman Sachs; Mr Richard Wigton, former head of arbitrage at Kidder Peabody; Mr Timothy Tabor, a former Kidder arbitrator.

The three men were arrested on February 11 and 12, and led away in handcuffs from their homes and offices as though they were common

felons. They were charged with swapping information on their in two takeover battles.

Mr Giuliani submitted his surprise dismissal petition after Judge Louise Stanton had rejected his appeal on Tuesday for a delay in the trial, set for May 20, until midsummer. The prosecution, which has issued 90 subpoenas and sequestered box after box of trading records from the two firms, asked for the delay to allow time for an expanded indictment, involving at least nine takeover stocks and other individuals. The judge, though, cited the defendants' rights under the sixth amendment to a speedy trial.

On Wednesday night, Mr Giuliani insisted he had too much, not too little, evidence. "It would have been irresponsible to go to trial on that indictment, given what we now

know" about a larger conspiracy, he said. However, he remains acutely vulnerable to charges of misjudgment and self publicity in order the arrests without a case to prosecute.

This is the prosecution's dilemma. The arrests were clearly designed to scare Wall Street into co-operation. But the three men have refused to co-operate and Goldman Sachs, one of the most powerful investment banks on Wall Street, has thrown all its weight behind its partner, Mr Freeman.

If Mr Giuliani fails to gain a conviction in this first trial, he will find it much harder to gain the compliance of other suspects, above all in the highly publicised investigation of the links between Mr Boesky and Drexel Burnham, the aggressive and controversial investment bank.

Lionel Barber explains the bad light cast on the White House by Iran-Contra revelations

Danger from the patriots who went beyond

MR ROBERT MCFARLANE, a former top foreign policy adviser to President Ronald Reagan, is a graduate of the Alexander Haig school of languages. A former marine, who led the first combat mission in Vietnam, in 1965, Mr McFarlane is an expert at mutilating his mother tongue.

"I thought Ollie was surely the most mission-oriented, can-do professional on the staff," he declared this week before the joint Congressional hearing on the Iran-Contra affair, "and I believe the interpretation of guidance I had given him would probably be, certainly carried out, but that probably he would on occasion go beyond."

Mr McFarlane's sombre, almost somnambulant, style and his description of a former White House colleague, Lt Col Oliver North, is deceptively anodyne. Without question, what he has told the House-Senate hearing, in more than 14 hours of testimony, has been both illuminating to the general public and damaging to Mr Reagan.

He began on Monday morning in the House Foreign Affairs Committee room at the Rayburn Building in the Capitol. The space was cramped and Mr McFarlane, accompanied by his crisply attired attorney, Mr Leonard

His opening statement went to the heart of the affair, portraying an administration at war with itself and with Congress over a main issue of foreign policy: How to cope with a hostile regime in Nicaragua which appeared bent on fomenting unrest elsewhere in Central America.

"There was a powerful—and, to many, a persuasive—case

pens when a covert policy goes wrong, and how it is impossible to rally the public behind a policy one cannot talk about openly.

The hearing has already shown how the Reagan administration allowed its foreign policy towards Nicaragua and Iran to be hijacked by a small number of people who, however, dedicated to their country, were

several trained attorneys and two former federal judges, Senator Howell Heflin of Alabama and Senator George Mitchell of Maine—are exacting retribution. On several occasions in 1985, Mr McFarlane, then National Security Adviser, at best misled, at worst lied to Congress about the activities of Col North in fund-raising for the Contras and in provid-

ing them with paramilitary advice.

In one illuminating incident described this week, Mr McFarlane said he had dug out several incriminating National Security Council files about Col North and the Contras, in response to repeated questions from Congressman Michael Barnes, a Democrat from Maryland.

Mr McFarlane questioned Col North and received his "personal certification" that he (North) was within the law. Later, Mr McFarlane invited Mr Barnes to his White House office to examine the damaging files, but they were among a stack of papers piled on the desk and Mr McFarlane abruptly announced he had to cut the

meeting to 20 minutes. Mr Barnes, sensing the impossibility, left the files intact and missed the scoop of the year.

This week, Mr McFarlane does not appear half as smart. Like Gen Secord in week one, he has been gradually worn down by relentless questioning until he exploded with frustration. Asked by Congressman Peter Rodino, who led House impeachment proceedings against President Richard Nixon in the Watergate hearings 13 years ago, if he knew of Col North's shredding of documents and possible obstruction of justice, Mr McFarlane blurted out: "That's right, and I deserve responsibility and I ought to be prosecuted to the full extent of the law and sent away."

This is the unspoken message in the hearings: Witnesses testifying without limited immunity can incriminate themselves and others.

The White House, forced by embarrassing testimony to abandon its earlier stance of not commenting on the hearing, is getting edgy. The President's active role in support of the Contras is being gradually drawn out in public. With Col North and Vice-Admiral John Poindexter, Mr McFarlane's successor as National Security Adviser, to testify next month, things can only get worse for the president.

Without question, what the former National Security Adviser has told the panel, in more than 14 hours of testimony, has been both illuminating to the general public and damaging to President Reagan

that to lose in Nicaragua would invite the Soviets to step up their investment in aggression significantly in other developing nations of the world," he said, in a variation on the domino theory applied to Vietnam, Laos and Cambodia in the 1960s.

Then, however, he accurately characterised the Reagan administration's fundamental mistake: "If we had such a large strategic stake, it was clearly unwise to rely on covert activity as the core of our policy."

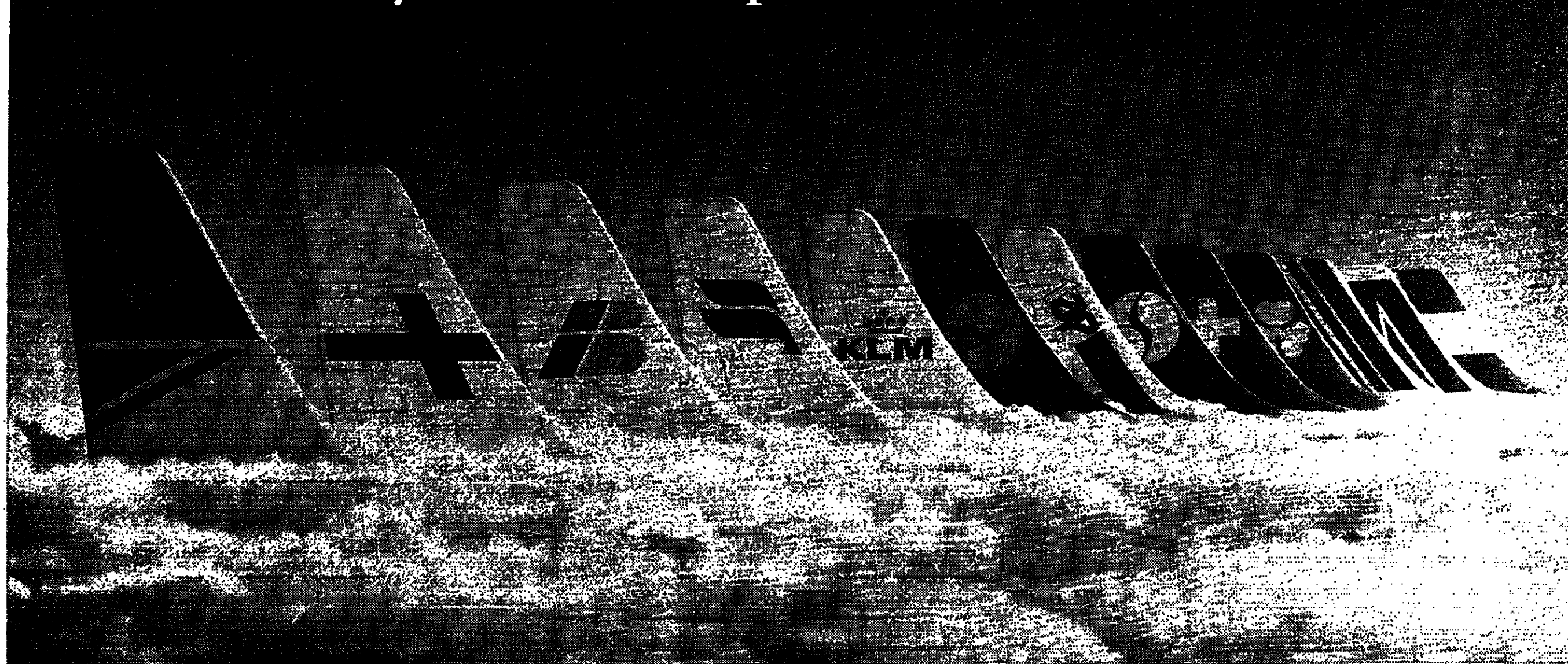
In the ten days since the Congressional hearing on the affair opened, Mr McFarlane and the first witness, retired Major-General Richard Secord, have revealed in gruesome detail what had

simply not up to the job. Also revealed is how the President and his closest advisers (especially Mr William Casey, the director of the Central Intelligence Agency) simply refused to be bound by the will of the US Congress on the matter of aid to the Contras.

This is the wider canvas of the Iran-Contra hearing and one which will come into sharper focus in the next weeks. It explains, too, why the 26 senators and congressmen on the House-Senate panel take their job so seriously. The rare re-asserting the constitutional right of Congress, along with the president, to shape foreign policy.

The lawmakers—among them

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OVERSEAS NEWS

Battle for Nakasone successor opens

By Ian Rodger in Tokyo

THE BATTLE to succeed Mr Yasuhiro Nakasone as Japan's Prime Minister opened yesterday as the first candidate declared himself.

He is Mr Susumu Nakai, a former vice president of the ruling Liberal Democratic Party who led an abortive attempt three years ago to form a coalition with two opposition parties and oust Mr Nakasone from the Prime Minister's chair.

Mr Nakai is 77 and is seen by political observers in Tokyo as a potential compromise candidate, someone who could emerge and rule for a short time if none of the acknowledged front runners attract enough support.

Mr Nakasone's term as LDP president and Prime Minister ends in October.

Mr Nakai said at a Press conference yesterday that he was running to help unify the Tanaka faction, of which he is the head, but political observers doubted that he would succeed. Unity in the Tanaka faction, the largest within the LDP, has been strained since 1984.

Australia plans radical industrial relations reform

By Chris Sherwell in Canberra

AUSTRALIA'S Labor Party Government yesterday introduced legislation overhauling the country's highly institutionalised industrial relations system, but immediately met

Loud criticism from the opposition and business community.

The new 380-clause Industrial Relations Bill will replace the 83-year-old Conciliation and Arbitration Act. It modifies the old institutional framework, adjusts the way disputes are settled, toughens the means to ensure compliance and encourages changes in trade union structure.

But Mr John Howard, leader of the opposition Liberal Party, said yesterday it showed the Government was prepared to out trade unions above the ordinary courts of the country.

Loudly echoing the complaint, the Confederation of Australian Industry said it gave trade unions increased scope to take industrial action with impunity.

The bill also says the elimination of access to the common law to secure injunctions against industrial action, and the tougher barriers to action against unions in secondary boycott disputes.

Action under the Trade Practices Act over secondary boycott disputes must now be referred first to the new Industrial Relations Commission,

which replaces the old Conciliation and Arbitration Commission. This commission is granted much wider jurisdiction than its predecessor, and is given the means to enforce its authority and secure compliance with its decisions.

Under the new arrangements, the commission must first seek to resolve a secondary boycott dispute before it is referred to the second new body, the Labour Court, which replaces the Industrial Division of the Federal Court.

Employers say the whole process will take too long, both in this sort of case and in respect of injunctions, which must now be obtained from the Labour Court and not through the common law.

The Government insists the intention is not to limit employer responses, saying employers should not be pursuing injunctive relief in two courts and unions should not be facing double jeopardy.

The Government also says that in the current controversial case of Queensland, where the State Government has recently introduced the toughest anti-union laws seen in Australia, workers will gain considerable protection because of the primacy given to federal law. Over this, too, many employers have reservations.

Optimism on New Zealand rates

By Jonathan Wicks in Zurich

NEW ZEALAND'S interest rates are likely to show a gradual decline over the coming 12 to 18 months, according to Mr Roger Douglas, the Finance Minister.

Long-term rates are running at some 17 to 18 per cent and short-term interest levels at around 25 per cent.

Speaking in Zurich yesterday, Mr Douglas said falling interest rates should accompany a noticeable slowdown in inflation. For the fiscal year ending March 31, 1988, the inflation rate was estimated at 7 to 10 per cent.

In comparison, the consumer price index had risen in 1986-87 by some 18.3 per cent in New Zealand, according to government figures.

Gross domestic product (GDP) which had shown real-terms growth of 2.2 per cent last year, is virtually flat. However, the minister indicated that the economy was doing better than had been expected. Instead of what had earlier been seen as a decline in real GDP, this would probably rise by some 0.8 per cent in fiscal 1988, according to latest forecasts.

Unemployment, said Mr Douglas, was likely to stay at around the 4 per cent level or perhaps slightly higher. This reflected a restructuring of the New Zealand economy, however, with job losses in some sectors being offset by job creation in others.

He stressed the importance of so-called "corporatisation," the privatisation of government businesses.

Robert Thomson in Peking on clouds over a special zone

Shenzhen out of favour

WHEN THE Shenzhen special economic zone was launched eight years ago, the Chinese Government intended that it and the country's three other zones would be "windows on the world". But Communist Party officials in Peking have decided that the zone's outlook is often not to their liking.

Shenzhen is China's twilight zone. It is just across the border from Hong Kong and half way to capitalism, or at least that is what Peking would like foreign investors to think and that is certainly the feeling of numerous conservative Politburo members who reckon that Shenzhen is too special for its own good.

The zone, intended as a model for urban development, has become a model of ideological impropriety. Two newspapers, the Shenzhen Youth Herald and the special zone Workers' Daily, have been closed in recent weeks, and a literary magazine, Special Zone Literature, has been suspended as part of the campaign against "bourgeois liberalism".

The Shenzhen Youth Herald made the mistake of suggesting that China's leader, Deng Xiaoping, 82, should retire.

These political problems have added weight to the arguments of conservatives that Shenzhen is a "safety experiment" - Deng himself has called the venture an "experiment". "If it fails, we can draw lessons from it," he said.

Shenzhen's economic contributions are debatable. While officials point out that annual output has grown from \$16m in 1979 to \$1.6bn last year and that foreign investment this year is expected to rise 13 per cent to around \$500m, the zone has failed to reach key targets for exports and technology transfer.

Of the zone's output 70 per cent is supposed to be exported, but the present official figure is 45 per cent, and the real export figure is lower, as goods are regularly exported to Hong Kong, then re-exported to inland Chinese cities awash with consumer cash.

The official responsible for the "open door" policy, Gu Mu, a state councillor, assured that the zone would have Peking's continuing support, despite persistent rumours in the Chinese capital that development funding will be slowed significantly. Those rumours have gathered momentum with the coming of the campaign against bourgeois liberalism.

As for the ideological indiscretions, Gu said that Shenzhen will be "special" because of its extra vigilance in opposing Western influence. Officials in Shenzhen are wary of the campaign; so wary that one admitted to wearing cloth shoes in place of his better quality leather variety to show he is abiding by the calls for "thrift" and "struggle".

Wang Hanyong has felt the heat of the anti-Western campaign. Wang, chief of the zone's Information Department and responsible for its wayward newspapers, admitted that he had been attacked. "My department has been criticised and they have criticised me. We have learned from this experience," he said.

While Wang has kept his job, the editors of the two closed papers are awaiting reassignment. Shenzhen's vice-mayor, Zou Erkang, said that they could continue writing, but whether their material would be published is another matter. The zone had lured many of China's more confident young journalists and writers, who presumed that the wide-ranging economic licence would be matched by artistic licence.

The Youth Herald had published the thoughts of three party members expelled in recent weeks and repeatedly pilloried in the main stream press: a journalist, Liu Binyan, a writer, Wang Ruowang, and an outspoken astro-physicist, Professor Fang Lizhi.

Hong Kong and Peking compete for influence here. Most Chinese watch Hong Kong television, mainly because the local product is on the so-called side of boring, and follow Hong Kong fashions. Taxi drivers openly ridicule foreigners who attempt to pay them in Chinese currency and not Hong Kong dollars, while Hong Kong trucks with dual registration cross the border freely.

Zou Erkang said cadres in Shenzhen have to be more careful than in other parts of the country because "they have more chance to mix with foreigners". Our cadres, he said, "should make themselves more pure" and the struggle against bourgeois liberalism is to create a more pure Shenzhen.



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Israel in two minds over foreign policy

By Andrew Whitely in Jerusalem

THE BITTER contest between Labour and Likud, unhappy partners in the near-moribund national unity government, for control over the country's foreign policy degenerated into open warfare yesterday as both sides told foreign governments that they spoke for Israel.

In Washington, Mr Yosef ben-Aharon, a top aide to Prime Minister Yitzhak Shamir, said he had told the Reagan Administration that the US-backed proposal for a Middle East peace conference was dead. No Israeli government member would be permitted to pursue the conference proposal, he added.

"I met people in the White House and in the name of the Prime Minister, I informed them that following the debates in the Cabinet (on Wednesday), the subject of an international conference was finished," said Mr ben-Aharon, director general of Mr Shamir's office.

But the Foreign Ministry in Jerusalem, run by Mr Shimon Peres, the Labour leader, is taking a diametrically opposite view, urging Israeli embassies abroad to support Labour's line.

On the eve of Mr Peres's departure for urgent talks in Washington, Mr Yossi Beilin, the ministry's senior official, sent a circular to all embassies stating that, as no decision had been taken at the deadlocked meeting of the inner Cabinet, Mr Peres would continue to pursue negotiations towards a peace conference.

In defiance of the Prime Minister, Mr Peres said he would be asking Mr George Shultz, the US Secretary of State, what the US suggested to keep the peace process alive. "On Wednesday night Mr Shamir had warned anyone talking to the Foreign Minister that 'Mr Peres does not speak in the name of the Government'."

Lebanon to alter banknotes

By Nora Boustany in Beirut

THE CENTRAL Bank of Lebanon has proposed the issue of banknotes in larger denominations to avoid the cumbersome transportation of huge piles of money for simple daily transactions, Mr Megerditch Boudikian, the vice governor, said yesterday.

The central council of the Central Bank agreed on the measure Wednesday but parliamentary approval is required for the amendment of the money and credit law, according to Mr Tewfik Chamard, a legal counsellor at the Banque du Liban. An estimated inflation rate of 300 per cent and a greatly diminished purchasing power of the Lebanese pound prompted central bank officials to consider issuing 1,500 and 1,000 (L.L. 1,500 and 1,000) notes.

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Sri Lanka may drop plan to capture Jaffna

By John Elliott in Colombo

PRESSURE is growing on Mr J. R. Jayawardene, president of Sri Lanka, to abandon plans his Government is believed to have drawn up to try to capture the city of Jaffna, stronghold of the Tamil separatist movement.

The Government is believed to have estimated that an attack could lead to as many as 10,000 civilian casualties, and up to 1,000 troops. The civilian estimate is supported by Tamil leaders who know the densely populated city well.

Mr Rajiv Gandhi, Indian Prime Minister, is to be asked this weekend by moderate political leaders of the Tamil based in the southern Indian city of Madras to launch an international appeal for the United Nations to provide a peace-keeping force.

The Government started the raids after a big bomb blast in the capital of Colombo three weeks ago. Tamil extremists have been

blamed for the blast by the Government. But spokesmen of the two active Tamil extremist groups, the Tamil Tigers (LTTE) and the Eelam Revolutionary Organisation (ERO) based in Madras, yesterday both repeated earlier demands that their people were involved.

Both moderate and extremist leaders of the Tamils are also warning that it would be impossible for them to reopen talks with the Sri Lankan Government on a

settlement of the Tamils' demands for regional autonomy and the creation of a homeland in the aftermath of mass casualties on the scale forecast for a Jaffna city battle.

However there is considerable pressure on the Sri Lankan Government to stage the attack because capturing Jaffna would take the heart out of the extremists' campaign of violence which has escalated in the past four years.

Neither Mr Kim Dae Jung, again under continuous house arrest, nor Mr Kim Young Sam, again threatened with government action against his political activities, can be charged with them, both the parallels and the differences between 1980 and 1987 are striking and promising.

For a start, they are working together, not in competition. Second, they do not believe there is an ambitious clique in

the military hoping to take power.

Democracy will be on everyone's minds this weekend at what is sure to be an even more crucial anniversary than usual. As one Kwangju churchman said: "President Chun says he will step down at the end of his term next February. This is our last chance to show him how we feel about the way he took power."

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WORLD TRADE NEWS

Plessey awarded A\$350m radio defence order

BY TERRY DODSWORTH

PLESSEY, the UK electronics group, has won an A\$350m (£160m) contract from the Australian Ministry of Defence for a new tactical radio communications system.

Mr Kim Beazley, Australia's Minister of Defence, announced yesterday that the radio equipment programme, codenamed Raven, would go ahead shortly. It follows a \$20m contract to Plessey to develop the system.

Final details of the contract are being negotiated.

Plessey will be manufacturing most of the new equipment in its Australian plant at Meadowbank, New South Wales, where about 600 jobs will be created. Production is expected to continue into the early 1990s as a result of further projected orders.

Raven, one of the largest tactical radio contracts ever awarded, makes use of the latest generation of frequency-hopping radio techniques to prevent eavesdropping and jamming by enemy operators.

The system is aimed at communications between field units

and headquarters, and is small enough to be carried by infantrymen in their backpacks, as well as being mounted in battle-field vehicles.

"Australian sub-contractors will have a major manufacturing involvement and a wide range of other companies will have associated involvement through the provision of component parts and assemblies," Mr Beazley said.

Plessey has recently emphasised the Raven project as evidence of its ability to maintain the sales of its defence business when UK defence spending is stagnating and overseas activity is shrinking.

UK defence companies have been particularly hard hit by a decline in contracts from the Middle East—a buoyant market for communications systems until the slump in oil prices that led to cuts in defence budgets.

Several large British defence groups, including Plessey, have announced redundancies in the UK recently to adjust to the reduction in overseas markets.

Pakistan, France fail to settle N-plant dispute

BY MOHAMMAD AFTAB IN ISLAMABAD

PAKISTAN and France have failed to reach settlement of a multi-million dollar dispute over cancellation of a nuclear reprocessing plant, a Pakistani foreign ministry spokesman said.

Mr Jean Bernard Raimond, Foreign Minister, has been in Islamabad since last week to discuss an out-of-court settlement of the dispute, which arose over French cancellation of the nuclear reprocessing plant to be built under a 1974 agreement.

The plant was to have been built by the French state-owned Saint Gobain group.

But Paris pulled out of the contract and told Saint Gobain not to supply the plant, under pressure from the US. Then President Jimmy Carter had asked France to cancel the deal

because he feared Islamabad might use the plant ultimately to develop nuclear weapons.

Pakistan and French officials refuse to say how much compensation Islamabad is asking for cancellation of the deal. But the figure is believed to run to \$600m (£375m). The cost of the original plant has never been disclosed.

Mr Raimond had proposed that Pakistan agree to an out-of-court settlement for the compensation after which Paris will agree to a Pakistani request to build a 900MW civilian nuclear power plant at Chashma, in Central Pakistan.

The Chashma power plant is needed to overcome Pakistan's chronic power shortage which has held up the growth of new industry, and badly hit other sectors of the economy.

BATTLE FOR CANADA CONTRACT Icebreaker deal is test of prestige

BY BERNARD SIMON IN TORONTO AND OLLI VIRTANEN IN HELSINKI

AN ATTEMPT by the Canadian Government to score political points in the province of British Columbia has turned a bid to build the world's largest icebreaker into a complex struggle for control of an ailing Vancouver shipyard.

With several leading icebreaker specialists from Europe and North America involved in the contest, the design and construction of the 134-metre-long vessel, known as the Polar 8, has also become an important test of prestige in a little-known but intensely competitive industry.

The Far Icebreaker Canadian Design Group, one of two consortia bidding for the contract, appeared to gain the upper hand when it announced plans recently to form a design and construction partnership with Versatile Pacific Shipyards (VPS) of Vancouver. VPS was named by the Federal Department of Transport two months ago as the Government's favoured candidate to build the C8320m (£144m) icebreaker, which will help safeguard Canada's interests in the vast Arctic archipelago.

Three cabinet ministers flew to Vancouver in March to make the original announcement, reflecting the strong political overtones in the choice of VPS. With the conservative Government of Prime Minister Brian Mulroney anxious to show up opposing support in Western Canada, the icebreaker contract would give a new lease of life to VPS and to its debt-burdened parent company Versatile Corporation of Vancouver.

Versatile, once a shining star of British Columbia business, has recently been on the brink of collapse. It has already had to sell most of its other businesses including a Winnipeg-based farm machinery maker, two Quebec shipyards and a Vancouver cold storage operation. The company's 1986 losses of C\$52m equalled almost a quarter of its revenues.

In view of Versatile's financial problems, the Government will not finalise the Polar 8 contract until VPS meets a number of stringent conditions. These include posting a C\$100m performance bond and demonstrating the technical ability to design a vessel capable of maintaining a speed of three knots through ice 2.5 metres thick.

ing group Wartila Marine. Besides bidding for the design contract, Wartila and its three Canadian partners have offered to buy the Versatile shipyard. Its partners include Montreal-based Lavale, Canada's biggest engineering and project management group.

The Wartila group is undaunted by VPS's announcement that it plans to link up with Polar Icebreaker Group, led by marine engineers Sandwell Swan Wooster.

An official at Wartila's Vancouver-based Canadian subsidiary says that "whatever

An attempt to score political points has turned a bid to design the world's biggest icebreaker into a struggle for control of an ailing shipyard

arrangements Versatile makes, the Government has an absolute veto." Versatile's creditors are also likely to play a role in deciding its fate.

The Wartila official adds that "it's a question of which consortium has the best proposal as regards all elements of the programme, including the viability of the West coast shipyard."

Wartila badly needs the Canadian contract. Although it has garnered two-thirds of the world icebreaker market, the Finnish company has recently had financial problems of its own stemming from the depressed state of the world shipbuilding industry.

Earlier this year, Wartila lost a valuable Swedish order to a design submitted by Calgary-based Canadian Marine Drilling (Cammar)—which is a member of the rival Polar Icebreaker Consortium bidding for the Canadian contract.

Yeutter optimistic on world farm trade reform

BY WILLIAM DUFFLOR IN GENEVA

THE ministerial talks at the Organisation for Economic Co-operation and Development (OECD) have given an "excellent momentum" towards reform of world agricultural trade, Mr Clayton Yeutter, US Trade Representative, said in Geneva yesterday.

He hoped that further momentum would be added at the Venice Summit on June 8-10.

The heads of government of the seven leading industrial powers would then have the opportunity to articulate a political commitment to agricultural reform and to focus on specific issues to be dealt with in the current trade-liberalising round under the General Agreement on Tariffs and Trade (GATT), Mr Yeutter said.

In a sanguine summing-up of the OECD meeting, Mr Yeutter was also "cautiously optimistic" that "constructive" US trade legislation would emerge from the consultations between the Reagan Administration, the House and the Senate which will peak in mid-July.

To reassure GATT delegates concerned about the direction of US trade policy, Mr Yeutter insisted that President Reagan would not compromise on his free trade principles.

The Administration was working hard to obtain acceptable legislation and the trade bill would be Mr Yeutter's own priority for the next two to three months.

The US House of Representatives last month adopted a stringent trade bill which

would force the President to retaliate against nations running high trade surpluses with the US.

But Mr Yeutter said a protectionist bill was "unlikely" to emerge from the consultations. It could be a tough bill but toughness was not synonymous with protectionism.

Mr Yeutter described the OECD ministers' statement on agricultural reform this week as "without doubt the most comprehensive and forward-looking" he had ever seen from an international forum.

But he was guarded about the prospects for quick results on farm trade in the GATT round and opposed an OECD secretariat proposal for a 10 per cent across-the-board cut in farm subsidies.



Mr Clayton Yeutter
Farm trade talks should not focus on "short-term quick

fixes" such as the OECD's proposed 10 per cent subsidies cut, Mr Yeutter said. Long-term solutions that would serve for many years should be sought.

But the US trade representative was more enthusiastic about an OECD scheme for measuring a country's use of subsidies by calculating so-called Producer Subsidy Equivalents and Consumer Subsidy Equivalents.

This was the best "mouse-trap" produced so far for catching subsidy levels and could well form a basis for the GATT negotiations, Mr Yeutter said.

He rebuffed charges that the US aggressiveness in settling bilateral trade disputes and failure to observe the standstill commitment made by trade

ministers when launching GATT Uruguay Round last year was clouding the climate of the GATT talks.

Under the standstill countries undertake not to introduce new protection measures while the Round is on.

World trade was big business, bilateral disputes were inevitable even while trade liberalisation was being discussed as they had to be managed in a reasonable and amicable manner.

For a country with a \$170bn (£106bn) annual trade deficit the US had been behaving remarkably well, Mr Yeutter said. "Some of us are working 18 hours a day to preserve a open trading system," he added.

China textile exports to US likely to stall by mid-year

BY ROBERT THOMSON IN PEKING

CHINA'S textile exports to the US, which rose by 63 per cent last year, are likely to stall around the middle of this year because it is rapidly filling its textile quotas.

Industry officials in Peking suggest that about 20 per cent of quotas — 60 per cent of Chinese textile and apparel categories are covered by quotas — have been filled, and US textile importers are concerned that business will dry up after July.

China has previously eaten into the following year's allocations when quotas have been filled, but a US-China textile agreement expires this year and no quotas have yet been agreed for 1988.

The second round of negotiations for a new agreement ended last week in Canton in the south, and US officials in China are not willing to say when the new pact will be finalised.

"There is only enough room in the quotas for the US for the first six months," said the

Peking representative of a US textile importer specialising in partly-finished cotton garments. "I don't know what we are going to do after that."

China's Ministry of Foreign Economic Relations and Trade (Mofert) has highlighted the faking of export licences in Hong Kong as a major reason for the over-supply.

However, US industry officials believe the problem is not as serious as China suggests, and that a far more important factor is the lack of co-ordination

among provincial import and export corporations.

The provincial corporations are known to have more licences than allowed by Mofert in Peking, and have given individual factories much higher export quotas than permitted under the state plan.

US customs officers have this year been working more closely with US-based Chinese trade officials, who are advising on the legality of suspect export licences. The goods are held by customs, and companies

stuck with the fake licences stand to lose significant amounts.

A Peking representative for the National Council for US-China Trade, Mr Andrew Ness, said that a major US importer unwittingly caught with a fake licence had a landmark victory in the past week by convincing Mofert to authorise the issue of a valid export licence and an additional quota allocation.

Mr Ness said it was unclear if the Chinese ministry will be as generous to other, smaller

US importers.

During a visit several weeks ago, the US Commerce Secretary, Mr Malcolm Baldrige, emphasised Washington's concern over the leap in textile exports, which has made China the largest exporter by volume to the US. Mr Baldrige said that unless growth slows significantly, "we will have a chaotic situation."

Chinese exports have increased in tandem with industry pressure to introduce protectionist legislation.

FOCUS ON INTERNATIONALISATION OF JAPANESE MANAGEMENT

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Daiwa Securities innovative approach to new products and aggressive new product strategy have thrust it to the fore in world capital markets.

With \$12 billion of clients' funds under management in the Tokyo market, Daiwa is a clear leader in this field, at the same time dominating the trading in foreign equities in Japan along with that of equity-linked paper.

Daiwa also ranked first among all Japanese houses in Eurobond financings for European borrowers, lead managing 29 issues totalling \$3.7 billion.

Makoto Kasui, chairman of Daiwa Europe Ltd. discusses this success, and presents some projections for Daiwa's future.

By Brian Robbins



Mr. Makoto Kasui, Chairman, Daiwa Europe Ltd.

New Products Underpin Growth

Sharp rise in foreign equity trading

Robbins: What contribution does Daiwa Europe currently make to Daiwa's global operations, and where does Daiwa Europe focus its main operational interest?

Kasui: Daiwa's international operations are currently growing very rapidly, supported by Japanese investors' need to export capital from domestic markets where real returns are progressively declining. We nearly tripled our business in Daiwa Europe to almost £30 million after-tax profit in fiscal 1986, and we hope to report another substantial advance for the current year.

We are also focussing very strongly on foreign equities, which now contribute about 35 per cent of our total overseas earnings, with bond and equity warrant trading providing a similar proportion, and financial income and underwriting business making up the balance. Our foreign equity trading growth has been phenomenal — up to a year ago we did a negligible amount of business in this sector, but now we seem to be doubling our trading volume roughly every month.

Robbins: Why have you been so successful?

Kasui: Well, Japanese investors increasingly want to invest abroad, and we are the leading foreign equity house in Tokyo. Up to a year or so ago Japanese investors mainly bought US Treasury paper, which combined safety and liquidity and offered them roughly double the return they were able to earn on domestic government paper.

But then the yen's climb against the dollar began to saddle them with increasingly heavy exchange rate losses, and these losses drove them to diversify into other foreign currencies — for example the major Japanese stockbroking houses began bidding as a syndicate for West German government paper in June 1986.

They also began to seek equity investments capable of providing compensatory capital gains, particularly as leading US and European equities standing at single digit or low teen price earnings ratios offered strong fundamental attractions when viewed against an average Tokyo price earnings ratio of more than 60.

Daiwa's strong track record secured us a powerful lead. We have now launched 19 major Japanese companies and a further 32 major non-Japanese companies into the in-

ternational equity-linked markets, and secured Tokyo Stock Exchange listing for 22 multinationals. In addition, we are a major force in international equity warrant trading, leading this market by managing 125 issues in 1986.

Robbins: What kind of multinational might be expected to attract most interest?

Kasui: A company must first meet Tokyo Stock Exchange requirements that it possess at least ¥10 billion in equity, has earned at least ¥2 billion in each of its three previous trading years, has paid dividends for at least three years, can expect to keep on paying dividends into the foreseeable future, and will have at least a thousand Japanese shareholders.

We tend to look for companies that are cheap by Tokyo standards and offer attractive switching opportunities, and companies that offer Japanese investors totally new investment opportunities. However, at this stage in the market's development, we have to recognise that smaller foreign companies, not known in Japan, are at a disadvantage in being able to appeal to the Japanese investment community. In broad terms, a foreign company with less than ¥100 billion in net worth, or, for example, one which does not rank as one of the 50 top British companies, would have difficulty in stimulating a real investor following in Tokyo.

Robbins: What about secondary market support?

Kasui: We pay a great deal of attention to developing a strong secondary market for foreign listings in Tokyo, and here we can rely on very powerful liquidity as well as growing Japanese investment interest. We are also continuing to strengthen our placement power outside Japan, not least by recruiting an increasing number of non-Japanese staff. We have moved over the past year or so from a position where we had rough parity between Japanese and non-Japanese employees to a position today where we employ about five non-Japanese for every Japanese

employee.

Robbins: There is much talk that international equity and bond market competition is growing increasingly fierce, and that major Japanese stockbroking houses have started sacrificing profitability to buy international market share.

Kasui: That may be true in particular instances, but Daiwa has no intention of committing hara-kiri. Last year we managed 68 issues for sovereign and supranational borrowers, and sometimes we had to accept rather tough terms and conditions, but we never accepted them blindly. We always weighed the importance of any request against our own market forecasting. Sometimes we accepted tight terms because we expected market conditions to improve, and our forecasts then justified our decisions.

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some sort of commission agreement is essential to the maintenance of good market discipline. We have a huge number of private investors, and we believe that throwing our market completely open might expose them to chaos.

Robbins: Some commentators believe that Japan's banks are disarmed by the fact that Japanese corporations are increasingly turning from bank finance to equity markets, and would like equality of access.

Kasui: We have already opened our stockmarket to foreign banks, and we are moving very rapidly on this front—it was virtually impossible for a foreign bank to secure a securities trading licence before the middle of last year. Now any foreign bank can obtain a licence providing it accepts our 50/50 rule. But allowing Japanese banks along the same road would run directly counter to the spirit of Article 65, and might well destroy a delicate structure that owes much of its fundamental success to the fact that it does possess a protective framework.

Robbins: Finally, where do you see world markets heading through the rest of this decade, and how do you see Daiwa exploiting world market trends?

Kasui: I see Daiwa growing gradually. We are very flexible, possibly rather more flexible than our competitors, and we like to think that we possess a younger and more adventurous outlook. We also believe that we give our staff more responsibility, and allow them to use more initiative, that we are possibly less centralised than the other leading Japanese houses, and that this will help us steadily improve our performance.

We also take the view that we are very well placed to absorb the impact of bull market setbacks if the present bull market levels out or weakens. We don't want the market to peak out, but we cannot say that it will not, and we must be ready at all times. The average price earnings ratio in Tokyo is now around 60, and any squeeze on demand might lead into a progressive correction. We are prepared.

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UK NEWS

Westland orders fail to save 1,155 jobs

By Lydon McLean

WESTLAND, the UK helicopter manufacturer, is to make 1,155 employees redundant at its assembly factory at Yeovil, Somerset, south-west England.

This announcement follows the Government's decision, earlier this month, to order £300m worth of helicopters, partly to help fill the company's depleted order books.

The redundancies at Yeovil also come just over a month after Westland said it wanted to make 925 employees redundant at its Weston-Super-Mare factory, although the final figure is still being negotiated with the trade unions.

The latest job losses fall most heavily on technical grades at Yeovil, where 330 technical staff are to be made redundant. A total of 275 direct production staff, and 310 indirect production staff, will lose their jobs. A further 340 jobs are to go in management, supervisory and clerical grades.

The Ministry of Defence order last month was for 25 Anglo-Italian EH101 helicopters, 16 Lynx and seven Sea King helicopters. The orders were insufficient to fill Westland's order book, because the EH101 orders will not be fulfilled for some years, leaving Westland with the small Lynx and Sea King orders to help mitigate the current shortfall in the order book.

Tony Jackson writes: ICI is to create 150 jobs on Teesside, in north-east England with the expansion of research laboratories at its Wilton petrochemicals complex.

The group said the expansion, with a capital cost of £7.5m, was caused by growing demand from customers for research into projects involving plastics.

Tax cuts set theme for Conservative manifesto

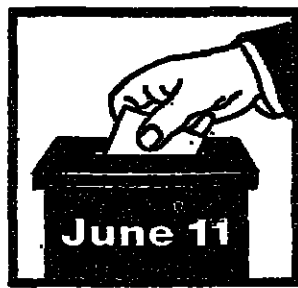
By Peter Riddell, Political Editor

CUTS in income tax, more privatisation and even wider share ownership were yesterday promised by Mr Nigel Lawson, the Chancellor of the Exchequer, as further opinion polls pointed to a large Conservative lead, in the run-up to the general election.

He set out the central theme of next Tuesday's Conservative Party manifesto, "moving forward", as Mrs Margaret Thatcher warned against complacency at an end of a meeting of the party's backbench 1922 committee.

The Prime Minister has been advised by senior colleagues not to talk again in the campaign, as she did in interviews last Monday, about seeking a fourth term since this risks alienating potential supporters by implying that she believes that a third term is hers by right.

Mr Lawson said the manifesto would "set out in the clearest possible terms what we propose to do in



our third term." He outlined an agenda including a further reduction in "burden of income tax, with a basic rate of no more than 25p in the pound", pressing ahead with "a further major privatisation programme" and pushing "the boundaries of popular capitalism still further" with even wider share ownership.

The Government, he said, would "continue to make the defeat of in-

flation our first priority until we have eliminated it altogether."

THE SDP/Liberal Alliance yesterday ruled out any deal with Ulster Unionists over the Anglo-Irish agreement in the event of a hung parliament.

Dr David Owen, the SDP leader, and Mr David Steel, the Liberal leader, visited Belfast on a whirlwind tour of four UK cities to explain the Alliance's major programme for constitutional changes.

Dr Owen said both parties welcomed the Anglo-Irish agreement in an improved dialogue between London and Dublin which actually strengthened the United Kingdom.

Mr Steel said that while they were open to suggestions about Ulster from other parties and would welcome constructive proposals from Unionists, there was no question over the agreement being scrapped because of "some arithmetic equation at Westminster."

Tide flowing our way, says Lawson

By James Buxton, Scottish Correspondent

TORY PARTY activists in Scotland yesterday shook off the gloom and uncertainty that has afflicted them for months as their annual conference got under way at Perth - and was for the second time in four years used as a springboard for their party's general election campaign.

The party faithful arrived at the conference in good humour, thanks to a Mori opinion poll published yesterday which put them in second place to Labour in Scotland for the first time in many months.

Mr Nigel Lawson, Chancellor of

the Exchequer, who replied to a debate that had unstintingly lauded his economic policy, gave a warning that victory in the general election could not be taken for granted. "We should never underestimate the opposition, they have advantages as well as their manifest disabilities."

But he concluded: "Never underestimate the importance of the tide of ideas. No British government has ever been defeated unless and until the tide of ideas has turned against it. And far from turning, the tide of ideas that swept us into office is flowing even more strongly today."

The underlying message was that radical Conservative policies might be unpopular but they were necessary. The economy was going through a period of fundamental transformation. But, as Mr Norman Tebbit, party chairman, said, prosperity had spread from the south of England to the Midlands and now it was reaching Scotland.

This was just part of a warm-up for tonight's rally where Mrs Margaret Thatcher will formally launch her election campaign.

Jobless total falls, but stays above 3m

By Janet Bush

THE GOVERNMENT'S official unemployment total fell last month for the tenth successive month but still remained above the politically sensitive 3m mark.

Lord Young, Employment Secretary, hailed yesterday's figures as "extremely good news" and said that no-one could ask for more evidence that the Government's economic policy was working.

However, he faced a barrage of criticism from opposition parties and an independent employment research group who unanimously asserted that the Government had massaged the figures downwards. They asserted that the fall in the total over the last year had largely been due to creative statistics and the Government's special employment schemes.

The seasonally adjusted total of those eligible for unemployment benefit fell by 19,900 last month to 3,020m while the unadjusted total, which includes school leavers, dropped 36,242 to 3,107m.

The Employment Department yesterday said that the seasonally adjusted measure of unemployment had fallen by an average of 23,000 each month for the past six months and Lord Young said that the strong downward trend continued.

He hit out at claims that the Government had "fiddled" the unemployment figures. "Those whose only contribution to the debate on unemployment is to cast doubt on the figures should consider that there has been no change in the way the figures are compiled since March 1986, and this is well before the current downturn started," he said.

Lord Young made no mention yesterday of the impact of special employment measures on the total. Last month, however, he acknowledged that the impact on the count of the Restart programme, aimed at helping long-term unemployed find jobs, was difficult to quantify and therefore too was the impact of faster economic growth.

Mr Jon Shields, director of Charter for Jobs, the employment pressure group, and a former senior Treasury forecaster, said that had it not been for statistical changes made to the count since 1983 and Government job programmes, the level would now be nearer 3.5m.

Electronics groups blamed for over-reliance on governments

By Terry Dodsworth and David Thomas

STRONG DISAGREEMENTS about whether European governments should support their domestic electronics manufacturers emerged at the second day of the FT's World Electronics Conference in London.

Mr Henry Ergas, councillor to the Organisation for Economic Cooperation and Development (OECD), argued that the poor performance of European electronics companies was because of their over-reliance on their governments for orders, investment, and research and development (R & D) funding.

A new generation of managers in the European electronics industry was beginning to shape global strategies, but the commitment of some European governments to open markets, particularly in telecommunications, was often little more than rhetoric.

European electronics manufacturers had performed badly compared with US and Japanese competitors since the early 1970s. The best figures available suggested that they needed heavier amounts of investments and more workers to generate the same amount of value added.

Moreover, despite worries about declining US competitiveness, US productivity growth in electronics remained comfortably above the European average. The relative competitiveness of the European electronics industry had declined more rapidly than that of the rest of European manufacturing.

This poor performance could not be explained in terms of the small size of European operations, either in terms of companies or markets though macro-economic factors such as higher labour costs, provided a partial explanation.

Mr James Elyth, managing director of plessey, said sales of telecommunications equipment were growing most rapidly in markets where deregulation was most advanced, particularly if deregulation was accompanied by the removal of barriers to entry.

The US telecommunications market was about to enter its main growth phase. In many European countries the benefits of growth might be delayed until the next century because of the cautious pace of deregulation. Defence still represented a big growth opportunity for electronics companies even though defence budgets were declining, because the



proportion of military sales going to electronics and software companies would continue to rise. Mr Jacques Noels, former head of Thomson Semiconductors, made a strong plea for more financial aid from European governments, arguing that competitors in the US and Japan were receiving more generous support. Mr Noels, one of the main architects of the recent merger between Thomson Semiconductors and SGS of Italy, said that Europe had already begun to "get its act together" in semiconductor manufacturing.

Both the government-backed initiative behind the SGS-Thomson merger and the pan-European funding programmes such as Esprit were "encouraging" developments. But the support of European governments would "continue to be required at least as long as assistance is granted to our competitors in the rest of the world."

Mr Noels said that an effective European semiconductor manufacturing sector was essential because of the component needs of other industries, such as the automotive and telecommunications sectors, or defence. Innovations in manufacturing techniques were also frequently based on the introduction of new electronic systems, he said.

Mr Michiyuki Uemura, executive vice-president of NEC, argued that the strengths of Japanese companies in the world electronics industry was related to their ability to forge a strong chain of product development from basic research to production technology, manufacturing and marketing.

NEC, which is working on a telephone which interprets foreign languages automatically, puts great emphasis on giving product divisions the responsibility for developing marketable products, while concentrating central group efforts on the main technologies of the future.

Mr Peter Bonfield, ICI chairman, said that European governments were gradually proving more willing to allow foreign suppliers into areas of their markets which were previously closed. It was imperative that preparations such as open standards were completed before 1992, when trade barriers within Europe were due to be removed. Users were becoming less interested in specific technologies for their own sake, and more worried about how their needs could be served by information technology as a whole.

The emergence of total communications networks, linking voice, data, images and text operations, was a catalyst helping to bring about this transformation of attitudes.

For supplying industries, this resulted in the need to understand their customers' business requirements in detail. Substantial investment in training, and information systems within supplying companies was necessary. A key to bringing this about was decentralised responsibility for marketing within a company.

Mr Peter Keen, executive director of the International Centre for Information Technologies, said that equipment suppliers in the information technology market would increasingly have to accept that large customers wanted a brand that was partly based on user requirements for a mixture of integrated equipment.

Users were also moving towards the formation of more strategic alliances, which would depend upon working together with suppliers on long-term plans that would link vendors closely into the development of the business.

Mr Jacques Stern, chairman of Honeywell Bull, the new combined computer company, argued that building a truly European market was essential to the future success for European manufacturers. A common infrastructure, based on a shared regulatory system to allow international value added services, was essential to this.

European companies were successfully co-operating in R & D. Their next step was to start co-operating in production and marketing. Companies' decision-making and communications structures which were still old-fashioned and hierarchical, had to catch up with increased power of information technology.

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OPENS THE DOOR TO FAST FINANCE

Monopolies Commission may investigate credit card industry

By Hugo Dixon

THE OFFICE of Fair Trading (OFT) is expected to refer the UK credit card industry to the Monopolies and Mergers Commission for an investigation into possible monopolistic practices.

The OFT yesterday refused to confirm that such a reference was imminent. However, senior banking sources agreed that it was on the cards, though they argued they had nothing to fear.

The investigation would be the second by the commission into the credit card industry in the last 10 years. The first, which was finished in 1980 after two years, was confined to the relationship between credit card companies and retailers.

It concluded that both Barclaycard and Access, the UK's two major credit cards, had a monopoly and recommended the abolition of the "no discrimination clause" which prevents retailers from quoting different prices for credit card and other types of payment.

The Government, however, took no action arguing that the industry was still in an early stage.

The new investigation would take place against a background of much striking in the industry. Most striking is the row between the retailers and Barclays over the charges for its new Connect debit card, the first in a generation of cards which are expected to pave the way for electronic cashless shopping.

Other important changes in the industry are the fast growth of the market; the appearance of retailers as major issuers of credit cards; the new freedom of building societies to issue them; and moves by the clearing banks to set up a national system of cashless shopping.

The terms of reference of the new investigation are not known, but they are likely to be much wider than in the earlier one. In particular, it is expected to look at the relationship between credit card companies and consumers, as well as

retailers. There has been concern that consumers are being charged an interest rate which is too high.

The banks are also pressing for the new investigation to include all issuers of plastic cards, not just banks.

One senior clearing banker, who preferred not to be named, said he approached the prospect of an investigation with a clear conscience. Mr John Lee, chief executive of Midland Access, said he had nothing to fear.

Both, however, were concerned that an investigation would absorb a great deal of time and would distract from the running of their businesses. They also felt the timing was bad, as so much was happening in the industry.

It was not known last night what, if any, connection the investigation would have with the review into electronic banking, which was initiated by the Government earlier in the year.

Airlines back charge card

By Financial Times Reporter

A CHARGE CARD, aimed at the business traveller and backed by 13 leading European airlines, is being launched in the UK today. It is to be extended to other European countries in the next few weeks.

The new card, called Airplus, is an ambitious attempt to take a small but important sector of the plastic card business from American Express, Diners Club, Visa and Mastercard, the established card issuers. The company is aiming to have 100,000 cards in issue with a turnover of £en 315m in the first year, rising to 500,000 plus cards with a turnover of £en 2.25bn in five years.

Airplus is also hoping to increase its membership to include more air-

lines, both in Europe and outside. JAL, Qantas, Air New Zealand, Pan Am and airlines from Latin America and the Middle East have made inquiries about joining.

The card is being launched with a marketing campaign by both Airplus and the individual airlines which are shareholders. People will not receive their cards until June.

Airplus has been tailored to the business traveller. Initially, it will be accepted in 13,000 outlets around the world, but aimed primarily at Europe and the US, though this figure is expected to increase to 50,000 in two years.

It will be used mainly for car rentals, hotel and restaurant bills,

as well as airline ticket sales. It is not therefore a general purpose charge card.

Mr David Hoemer, Airplus' chief executive, argued that the card had to provide the businessman with a wider service than just air travel, but that "the businessman does not want or need an all-purpose card."

Airplus will be selling itself to businesses on the basis that it offers greater control over travel expenses. As well as being limited in its scope, its monthly statements to clients will provide details of the individual businessman's itinerary.

The cost of having an Airplus card will vary from country to country.

Plessey announces research success

By Terry Dodsworth

FLESSEY, the UK electronics group, announced yesterday that it had made a successful entry into superconducting materials, regarded by many scientists as the most significant area of current research in the electrical and electronic industries.

Scientists at the group's Caswell laboratory in the Midlands last week demonstrated superconductivity, a process which allows electrical currents to travel down cables with no power loss, at temperatures that would be suitable for commercial applications.

The group expected to step up its investment in the programme, from a "generous six figure sum" this year to seven figures in 1988. Plessey was also seeking to step up the scale of its programme by collaborative ventures, including work with Warwick and Oxford universities, and a major overseas industrial partner.

The attraction of superconducting materials is that they set up no resistance to electrical currents, a property that could yield enormous gains in areas such as the transmission of electrical power, or in developing much faster switching systems. Superconducting materials, however, only work at very low temperatures, and the current research effort is aimed at finding ceramic materials formulas that would allow them to operate at closer to room temperature.

Several large multi-national groups have recently announced big breakthroughs, claiming to have demonstrated super conductivity at temperatures as high as +17 degrees C.

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UK NEWS

David Lascelles looks at a detailed analysis of the British banking sector

Banks receive a clean bill of health

THE UK banking industry is in as good a state of health as it has been for many years, judging by an analysis published today in the Bank of England's annual report.

By almost every major measure, including profitability and capital strength, the country's leading clearing and merchant banks are on an upward trend.

The only note of caution comes with a warning about risks arising from last year's Big Bang (deregulation) and the bank's entry into the securities business.

"It is clear that trading losses incurred in investment banking and securities operations can significantly damage the earnings of even the largest institutions," the Bank cautions, "and will need to be very carefully controlled by the more modestly capitalised houses."

This is the first time the Bank has published such a detailed analysis of the UK banking industry's balance sheets and profit and loss accounts.

Although much of it confirms trends that have been evident from bank's published accounts for some time, the information is culled from the confidential reports which banks file with the Bank. Some de-

tail, therefore, has never been made available before, particularly on the Accepting Houses Committee (AHC) - trading association - only a portion of whose 16 merchant bank members publish their true profits and reserves.

Over the last five years, UK banks have almost doubled their profits. Last year, the clearing banks earned a total of £3.8bn before tax, up from £1.98bn in 1982. In 1985, the latest year for which the Bank has full figures, the AHC members made £370m before tax, up from £210m in 1982. The report says that these banks "are expected to produce still better results in 1986."

More important, though, as a measure of performance, the banks are earning better returns on their capital. The post-tax return of equity achieved by the clearers (now the most widely used measure) was 15.8 per cent last year, up from 8.5 per cent in 1984, when it hit its lowest point this decade. The AHC members did slightly better, earning 16.2 per cent in 1985, and 11.9 per cent in 1984.

Despite all the changes in the banking business, the clearers still earn the bulk of their income (about

BRITISH BANK FINANCES					
	1986	1985	1984	1983	1982
Pre-tax profits (£bn)					
Clearers	3.8	3.25	2.48	2.22	1.98
AHC*	na	0.37	0.26	0.23	0.21
Post-tax return on equity %					
Clearers	15.8	13.2	8.5	10.9	12.5
AHC	na	16.2	11.9	11.7	13.7
Total Capital (£bn)	32.83	28.00	22.87	20.81	17.83

Notes: Clearers include Barclays, Lloyds, Midland, NatWest, Bank of Scotland, Royal Bank of Scotland, Standard Chartered and TSB Group. AHC* - 16 members of the Accepting Houses Committee.

Source: Extracted from Bank of England 1987 annual report

75 per cent) from net interest (taking in money and re-lending it). But foreign exchange trading, fees and commissions are increasing.

The figures also show that the clearers' domestic lending business is nearly three times as profitable as their international business. Last year, the interest margin on UK lending was 5.49 per cent, compared to international margins of 1.96 per cent. This confirms that there is still room for greater

competition on the domestic banking market.

For AHC members, the boom business, not surprisingly, has been corporate finance. Last year, the merchant banks earned fees and commissions totalling £426m, by arranging mergers and acquisitions, underwriting new issues and supplying advice. This amounted to nearly half of their total £954m income. But they also lost a total of £3m on investment trading, a re-

lection of the much more competitive securities markets that have emerged because of deregulation.

What makes rising profits particularly encouraging from the Bank of England's point of view is that banks have also been strengthening their balance sheets by retaining earnings and raising fresh capital through rights issues and sales of perpetual bonds.

The clearers' risk asset ratio (a measure which relates the riskiness of banks' assets to the amount of capital they have) rose to 10.5 per cent last year, up more than a third from 7.6 per cent in 1984 when bank reserves were hit by severe tax changes in the budget. The AHC members have higher ratios, reflecting the riskier nature of their business. They were at 12.3 per cent in 1985, up from 8.7 per cent in 1984.

The Bank cautions, however, that there is no reason for complacency because banks are taking on off-balance sheet risks which are not included in the ratio calculations. Also, banks are exposed to heavily indebted Third World countries, though they have been increasing their reserves against possible losses.

A growth rate of 3% forecast for economy

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S IMMEDIATE economic prospects have improved in recent months, and the signs are that the economy will continue to grow at an annual rate of 3 per cent, or slightly more, at least for the next year, the Bank of England said yesterday.

In its latest Quarterly Bulletin, the Bank says that industry has reacted strongly to last year's devaluation of the pound, boosting exports and taking a bigger share of the domestic market. The deficit on the current account may turn out to be less than the £2.5bn forecast by the Treasury in the March Budget, while, in the short term at least, inflationary pressures should remain subdued.

The Bulletin tempers its relatively optimistic tone, however, with a warning that sustainable growth may be threatened by deteriorating world economic outlook. Outside the UK growth has been disappointing, while continuing large trade imbalances risk increasing trade friction and renewed instability on foreign exchange markets.

"Continued UK growth at its recent relatively high level depends on confidence in the expansion of world activity," the Bank says. And, if Britain continued to grow faster than the rest of the world, there would be a risk of increasing import penetration.

The Bulletin also notes some less encouraging features of the domestic economy. Increases in wages are still far outstripping price rises, particularly in the public sector, and investment growth is sluggish.

The Bank dates the turn round in Britain's economic performance to last year's devaluation of the pound. This could be accepted because its inflationary impact was neutralised by lower oil prices.

Recent trade figures and survey evidence suggest "a growing response of domestic output to buoyant demand" in the home market, and further export growth.

The Bulletin acknowledges, however, that sterling appreciation over recent months has reversed as much as half of the competitive gains from the pound's devaluation between late 1985 and the end of 1986. The impact on industry has been only partially offset by falls in interest rates which benefit the corporate sector.

That explains the authorities' determination to prevent sterling from rising further against other major currencies. The Bank is believed to consider that any further rise in sterling's value could seriously damage industrial confidence, putting into reverse the favourable trends of recent months.

In those circumstances, it would be prepared to accept some depreciation against other major currencies, while it would resist any move upwards. In the short-term and, in particular, during the general election campaign, this resistance is likely to be focused on intervention, rather than further cuts in interest rates.

The Bulletin makes it clear that the Bank is still concerned about the build-up of liquidity in financial

markets and the spurt in the growth rate of the broad measures of the money supply as a result of exchange market intervention.

Most, if not all, of the intervention will eventually be neutralised by sales of government debt. That, however, is likely to take some time.

● The current account imbalances between Japan and US are unlikely to diminish substantially over the next two years, despite adjustments in trade volumes flowing from the dollar's devaluation, the Bank says. In its latest forecast of the world economic outlook, the Bank states that the US current account deficit is likely to remain at around \$125bn (£208bn) in 1988, a fall of only \$15bn from last year.

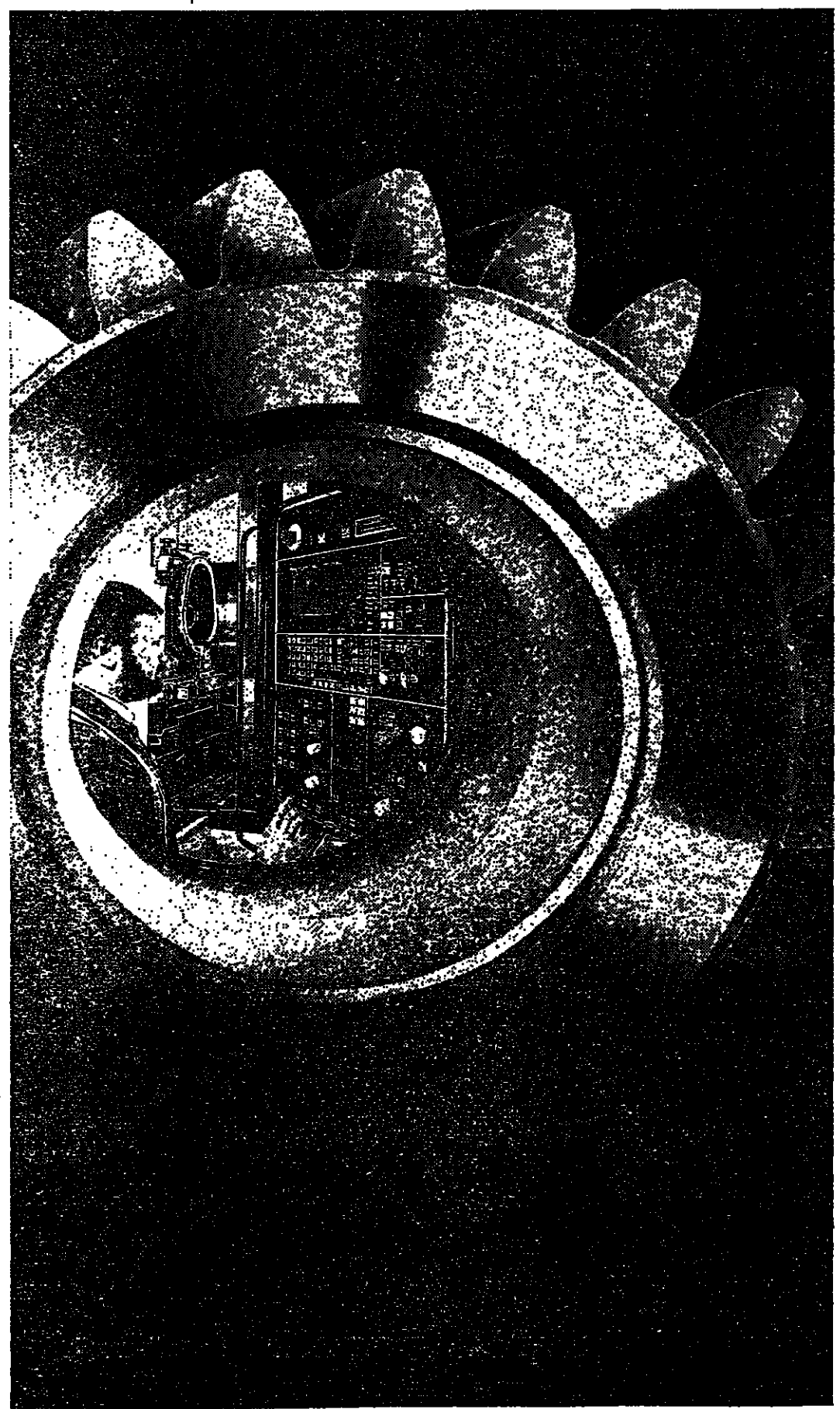
The Japanese current account surplus will stay close to its current levels of \$85bn. By contrast, the German surplus is projected to show a marked reduction from \$77bn in 1986 to about \$15bn in 1989.

Visible adjustments in trade volumes, apparent since the dollar's devaluation and which are expected to continue, are masked by the sheer size of the initial disparities between exports and imports in both the US and Japan.

The Bank adds that the persistence of these imbalances emphasises the importance of maintaining sufficient capital flows to allow the US deficit to continue to be financed without disruption on financial markets.

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Components manufacturers will benefit by rise in car output

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BRITAIN'S motor component companies will benefit from the expected steep increase in UK car assembly only if the vehicles have an 80 per cent home content, according to Garry Rhys, professor of motor industry economics at University College, Cardiff, South Wales and adviser to the House of Commons Trade and Industry committee.

While many of the extra cars to be built in Britain in the early 1990s - perhaps 225,000 - will have this level of UK content, a similar number will not, he writes in a paper prepared for the committee's inquiry into the motor components sector.

Professor Rhys also warns that the core of the UK component industry, the 100 companies which provide 80 per cent of the output and employment, need the present level of business from the commercial vehicle and agricultural tractor companies.

The demise of General Motors Bedford truck operations, and the mergers of Leyland with DAF of the Netherlands and Ford's truck business with Iveco, the Fiat subsidiary, will reduce demand for components and transfer design authority overseas, he writes.

"Unless the Government is robust in monitoring events, it is likely that the component producers' business with the commercial vehicle makers will decline," he states.

He continues: "The whole question of local content can partly undermine the impact of the recovery of car output."

He recalls that car companies have indicated to the committee that UK car assembly could rise, from just over in last year, by an extra 250,000 by 1989 and 475,000 by 1991, excluding any contribution from Austin Rover, whose output could

UK CONTENT OF BRITISH VEHICLES (as % of ex-factory price) 1987			
General Motors - Vauxhall/Bedford		Rover	
Astra/Belmont	55*	Mini	98
Cavalier	50*	Metra	97
Bedford Midl	65	Maximo	95
Bedford Rural	65	Montego	95
Bedford CF	75	Rover 213	75-81
*Rising to 80% in 1989		Rover 216	88
		Rover 800 2-litre	90
		Rover 800 2.5	80
		Range Rover	93
		Land Rover	96
Peugeot		Leyland-Daf	
309	68 +	Freight Rover	97
405	55 +	Leyland Trucks	96
† Diesel version 50%		Leyland Bus	97
† By 1989 could be 65%		ERF	87
Ford		Foden	88
Fiesta	75	Jaguar XJ6	90
Sierra	75-85	Nissan Bluebird	45
Escort/Orion	75-85	(reaching 54% in 1988 and 68-72% in 1991)	
Transit	85		

Notes: The West German content of Vauxhall cars is 35 per cent. The precise UK content depends on the ex-change rates. At a rate of DM 3.80 to the £, for example, the UK content in 1987 would have been more than 60 per cent.

The exact figure for Ford depends on the source of engines and transmissions.

Some foreign assembled vehicles use UK-made components. Hence, foreign assembled Ford cars will have a UK content of about 5 to 10 per cent

depending on the precise specification, and imported Vauxhall Cavalier and Astra have a UK content - but below 10 per cent by ex-works value.

Apart from the Volvo 200 series with 14 per cent UK content and the Volvo 700 series with about 8 per cent UK content, no other imported cars have a UK content of as much as 5 per cent of the ex-works cost. This applies to Vauxhall Novas and Cortinas, Peugeot 205s and Nissan Cherries as much as to Volkswagens, Fiat Mercedes, BMW and Renault cars.

Source: Prof Geryll Ellys.

Notes: The West German content of Vauxhall cars is 35 per cent. The precise UK content depends on the exchange rates. At a rate of DM 3.80 to the £, for example, the UK content in 1987 would have been more than 80 per cent.

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Source: Prof Garry Rhys.

Investments lift hope for more jobs in Ulster

By Our Belfast Correspondent

INDUSTRIAL investment in Northern Ireland recovered last year, reaching £11m and bringing the prospect of 4,187 new jobs, according to the Northern Ireland Industrial Development Board (IDB).

The state agency's results for 1986-87 showed an encouraging swing back from the previous year when investment slumped to £200m with only 2,900 jobs promoted by its activities.

The IDB still has problems in attracting new projects from overseas. Only seven companies - from the UK mainland, Europe, Scandinavia and the Far East - decided to open plants, with a total of 415 jobs.

Mr John McAlister, chief executive, said the first-time projects demonstrated that despite the difficulty of Northern Ireland's image abroad, it was still possible to secure investment on the strength of the business opportunities which existed in the province. The agency would continue to put effort into increasing the flow of overseas investment.

Companies operating in Ulster, but which have headquarters outside the province, showed a readiness to reinvest and expand. They accounted for £237m of the investment and 3,855 jobs. The IDB provides a package of grants and assistance to new and expanding companies and contributed £100m or 35 per cent of the total investments.

Tighter sales methods urged in New Towns

PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

THE DEPARTMENT of Environment (DoE) should ensure that tighter sales procedures are used for the disposal of public assets in the English New Towns, the public accounts committee of the House of Commons has said.

These disposals are being carried out by development corporations in six towns, and by the Commission for the New Towns in another 21. The programme of disposals has so far realised £700m, and further sales could amount to £2bn.

In a report published yesterday, the committee broadly endorsed conclusions reached last year by the National Audit Office.

It told the DoE that a forward disposal strategy with clear objectives should be implemented without delay. There should be tight controls over price concessions to buyers, it said.

The committee was concerned about weaknesses in the procedures of the development corporations and the Commission, such as variable documentation, an almost complete absence of audit examination and inadequate review by senior management.

It insisted that "assets for disposal should be exposed to the market unless there are compelling reasons to the contrary."

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15 May 1987

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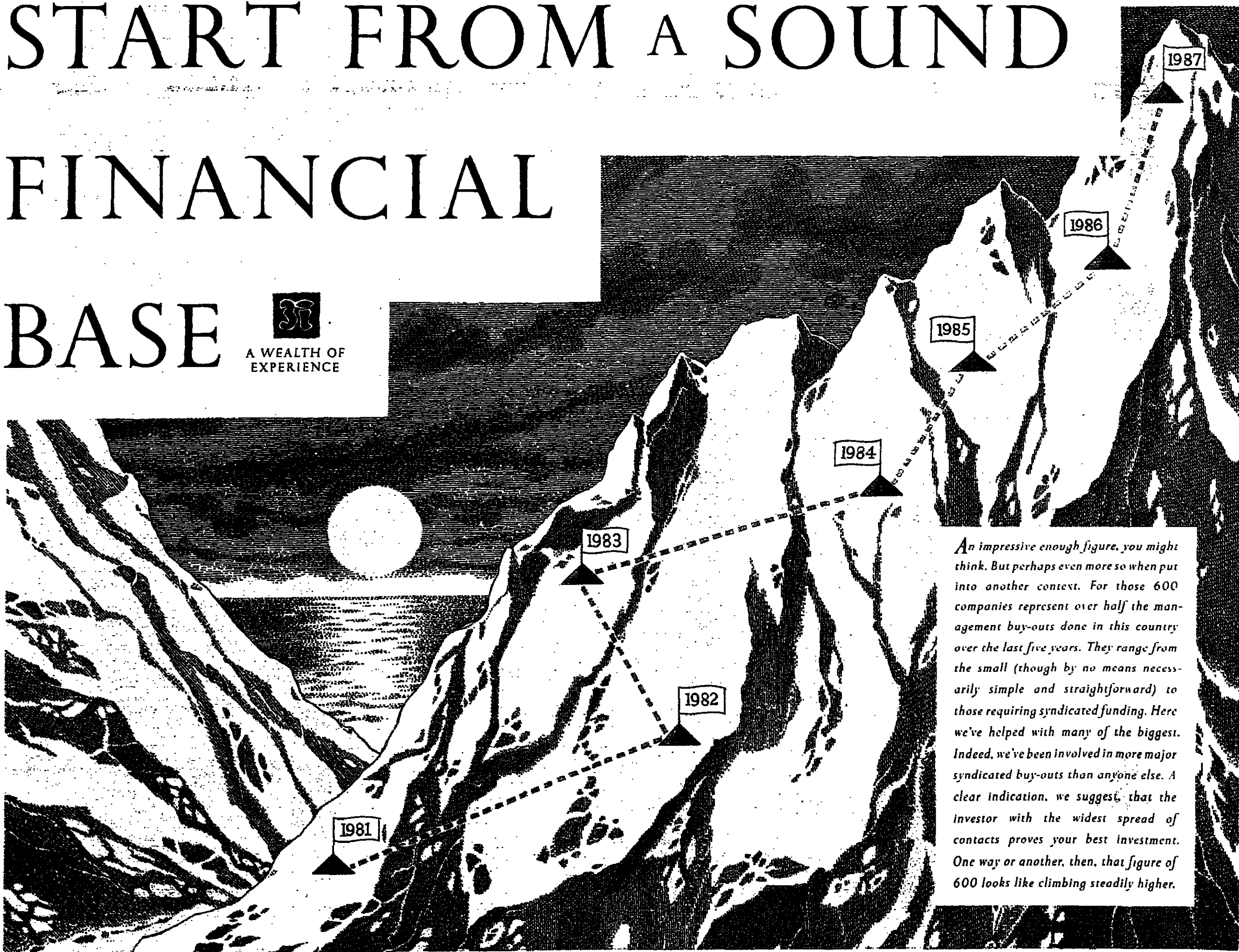
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MANAGEMENT

BOB BAUMAN, chairman of Beecham, is not at first sight everyone's idea of the million-dollar-a-year American industrial boss. He has a diffident, almost gawky manner, and looks a good deal younger than his 57 years. He has written a gardening book called "Flants as Pets," with chapters headed "Playing With Your Pets and Furnishing Your Plant Pot's Living Quarters."

He is less of an anomaly at closer range. His apparent unassertiveness turns out to be merely good manners, his youthfulness the result of an American-style healthy living. And, plant freak or not, he comes across as a professional manager by lifelong inclination.

Bauman, who was hired by Beecham last summer, nine months after the dramatic dismissal of his predecessor Sir Ronald Halstead, has a career which ranges from selling Maxwell House coffee to running an aero engine manufacturer. The one thing he lacks is previous direct experience of pharmaceuticals—the business generally seen as crucial to Beecham's full recovery from the corporate sickness.

Though Bauman is evidently still feeling his way towards a detailed knowledge of the drug industry, he is clear on its strategic importance. "It's like the house of the group the way it is—60 per cent pharmaceutical and 40 per cent not. If it drives further up that scale—though not all the way—that'd be fine."

Beecham has a wide spread of business from ethical (prescription) drugs through over-the-counter (OTC) medicines to toothpaste and shampoo. It is a range whose logic most drug companies would envy, particularly since the industry—the odd maverick like Glaxo apart—tends to see ethical drugs as too risky a business on which to be wholly dependent.

"I feel it's a very distinct plus for Beecham being in both ethical and OTC products, and some persons are not," Bauman says. "My feeling is that there are two pressures on the drug industry—pricing, as countries try to keep their health care costs down, and the increased time it takes to get through the regulatory processes. I think these things are causing a lot of people in the industry to look carefully at their positions."

Ethical drugs have priority, since they're the starting point for a lot of what we're trying to do. But OTC is a very important part of our business. One way of keeping costs down is to move from ethical drugs to OTC where you can allow competition to set prices. Ethical drugs are less cyclical, but with OTC you're more in control of your own destiny,



Bob Bauman arrived via Maxwell House and aero engines

A healthy balance

After nearly a year in the hot seat, the chairman of Beecham explains to Tony Jackson his priorities for the UK pharmaceutical group

especially in marketing."

Despite the range of Bauman's experience, he comes over as primarily a marketing man and dealer in the suburbs of Cleveland, Ohio, the son of a motor engineer, he trained as a student in accounting and economics, followed by an MBA from Harvard Business School.

"I'd been pretty sure I wanted to go into business even as I went to college," he says. From his student days, he claims, he wanted an international career. When first seeking a job, he stipulated to companies interviewing him that before joining them he would take three months off in Europe. "If they wouldn't accept that, I reckoned they weren't too progressive."

He duly joined General Foods, the big US branded food products company, for a career which looked set to be that of the typical corporation man. "I started in Philadelphia as a general management trainee, and went on up various stepping stones in product management, such as head of sales and then marketing for Maxwell House coffee in the US."

"My first big job was head of General Foods' Post division, which sold Post breakfast cereals and also Gaines dog foods, Kool-Aid drinks and so on. I ran manufacturing, research, sales, marketing—the whole operation reported to me. Sales were around \$400m, which in 1968-71 was a pretty good sized business."

So far, so relevant to Beecham. Then came an intriguing step—taking responsibility for the group's corporate research and development. "That covered basic food research, new products and so on. Size and organization were different from that of a company like Beecham, and the time frames were different. But in my opinion there are a lot of lessons to be learned from research in food and pharmaceuticals, and the system of trials and regulatory approvals isn't that different."

Another piece of relevant experience around this time was selling off unwanted businesses—a job he has repeated with energy and despatch in his early months at Beecham. "Like everybody else in the early 1970s we had been buying small, diversified companies for

footholds into other industries. We had a small toy company, a seed company, a cosmetic company, a hamburger chain. They were none of them businesses we should have been in, and it was my job to get rid of them."

He then became president of General Foods' international division — "a tremendous job," he says, and one which plainly gave him the means to become a fully-fledged international manager. Then in 1981, in an abrupt change of direction, he left to become chairman of Avco, the US aerospace and financial group, having decided that the probabilities of becoming chief executive were well below fifty-fifty.

Avco was relevant to his move to Beecham in two ways. "First, the high-technology nature of the business, and therefore the very long lead times and huge cost to develop a new engine and put it through the 10 or 15 years cycle. Second, operating as the top person."

The second part lasted just four years, after which Avco was taken over by its larger rival, Textron. Bauman moved across as vice chairman, on the clear understanding that the next

chairman would be a Textron man (the succession took place last August, the month Bauman was announced).

"I was prepared to be number two or three at Textron," Bauman says, a touch implausibly. "I was working at doing that effectively and not trying to take over the current chairman's or chief executive's job. But I would never be in the same line capacity as I'd enjoyed, and since I'd had some success as head of a team, if the right attraction came along I'd clearly be prepared to look at it."

When Beecham's head-hunters did arrive, the decision to move was in one particular sense a courageous one. Even before Textron came along Avco had been bedevilled by corporate raiders. Beecham too, though looking a trifle less battered than it had at the time of Halstead's dismissal, was still seen as a takeover candidate.

"It wasn't a major consideration," Bauman claims. "I thought it was a low probability. The stock had gone from 280p to around 350p, a lot of good things were going on, and they'd started communicating with the street. In any case, there is no safe situation. Anyone can be taken over."

In the months he has since spent acquainting himself with his new empire, has he had any nasty surprises? "Nothing ugly. I'd done my research before I came over, and I'd heard Beecham was a company with a sensational history, some good people, a lot of good products and good research. But it was on an earnings plateau, and it had lost contact with its various publics."

"I'd much rather step into a situation where there are good people and good products," Bauman says, "than one where you're raised over \$300m through the sale of unwanted businesses, and has restructured much of the remainder. Where now?"

"We have these core businesses, and we're going to develop organic growth in them. We're planning for a substantial increase in the speed with which we can bring new drugs into the market place, and also to have a drive on advertising. "At the same time, we want to make sure we have a constant effort on efficiency. First, continuing to examine products and small business areas to make sure they still have a future—though I don't see anything major left to be done at present."

Second, he is looking particularly at driving down overheads. "Technically, we're getting really good margins in most of our businesses, so it's mostly a question of getting the growth and ensuring we can finance it through increased efficiency."

Japanese management style

Behind the misconceptions

BY MICHAEL SKAPINKER

UNLIKE THEIR Japanese counterparts, European employees "do not consider work to be the centre of their lives," a recent Japanese study concluded. "If push comes to shove, they consider work something they have to do to live."

The study, published last year by the Japan External Trade Organisation, was cited in a recent speech by Peter Wickens, UK director of personnel and information systems for the Japanese motor manufacturer Nissan. The study was based on the views of 119 Japanese companies operating in Europe.

Wickens told a conference organised by the Financial Times and the National Economic Development Council that the view quoted above was just one illustration of the negative perceptions Japanese have of European workers. The study also reported that a substantial proportion of the companies "indicated they experienced cases where overtime was necessary but the employees refused to obey orders."

Nissan's new manufacturing facility in the north-east of England as an example of how Japanese work practices can be successfully transferred to Europe. Much has been made of the company's emphasis on teamwork, high quality standards and common conditions of employment for different grades of employee.

This image has been challenged by recent reports that workers are dissatisfied with conditions at Nissan—reports which have been denied by the company. Wickens, in any Western managers is not Japan's imaginary magic formula for industrial success but such universals as the practice of a little more care and thoroughness, a lifting of the sights to the slightly longer term and a greater consideration for the self esteem of employees.

To encourage employee commitment and increase their self-esteem, Nissan gives its supervisors total responsibility for selecting staff, Wickens says. The supervisors test and interview candidates and inform them that they have been successful.

The supervisor is then committed to his people. He cannot blame the personnel department for the rubbish they've sent me. And successful candidates are committed to the supervisor—you always have a good feeling towards the person who offered you a job—at the very least you respect his judgment."

Supervisors are responsible for communication within the team, which meets for five minutes every day at the start of the shift. This, Wickens says, is more direct and effective than a half-hour meeting once a month or more formal structures of employee representation.

A Japanese manager would regard such arrangements as good management practice, Wickens says. But then so would an American or a Swede. "The Making of Managers," from WED Books, Millbank Tower, Millbank, London SW1P 0JX. £8.

Business courses

Strategic employee development, London, July 1-3. Fee: £590; additional participants, £150. Details from The Prospect Centre, Gough House, 57 Eden Street, Kingston-upon-Thames, Surrey KT1 1BW. Tel: 01-541 4773.

Tax havens and low tax finance centres, Amsterdam, June 15-16. Fee: £450. Details from Legal Studies & Services, IBC House, Canada Road, Blythe, Surrey KT14 7JL. Tel: 01-236 4080. Tel: 088870 IBC G. Telefax: (fax) 01-489 0849.

Investment management —

theory and practice, London, £395 + VAT. Details from John Whitley, D. C. Gardner & Company, 8/9 New Street, London WC2N 4TP. Tel: 01-238 7962. Tel: 947805 DCGARD G.

Stress and management, Northumbria, June 10. Fee: £95. Details from Elizabeth Green, Centre for Continuing Education, The University, Newcastle upon Tyne, NE1 7RU. Tel: 091 232 8311 ext 2768.

Corporate Tax Planning, London, June 12. Fee: £145 + VAT. Details from Quorum Training, Tavistock House, 56 Holborn Viaduct, London EC1A 2EX. Tel: 01-236 4080. Tel: 888870, Telecopier: 01-489 0849.

June 24-25. Fee: £375 + VAT. Details from the administrator, IIR, 44 Conduit Street, London W1R 0FB. Tel: 01-434 1017. Tel: 437 2368.

Business to business marketing — marketing without a marketing department, Bromley, June 21-26. Fee: £850 + VAT. Details from Marjorie Brown, Client Services, Sundridge Park Management Centre, Bromley, Kent BR1 3TP. Tel: 01-460 8865.

Trusts for Europe, Amsterdam, June 11-12. £450. Details from Miss Evie Theodorou, Legal Studies & Services, Bath House, 56 Holborn Viaduct, London EC1A 2EX. Tel: 01-236 4080. Tel: 888870, Telecopier: 01-489 0849.

TECHNOLOGY

Textile industry enters the jet age

Peter Marsh reports on the revolutionary improvement in fruits of the loom

THE WORLD'S textile industry is undergoing technological changes paralleling those which ushered in the Industrial Revolution in Britain 200 years ago.

Taking the role of the spinning jennies and water frames, the machines that changed the shape of the industry in the 18th century, are a range of devices such as cloth-handling robots, automated sewing machines and looms that use jets of water or air to assist in weaving.

Sales of textile machinery, worth about \$7bn a year worldwide, are booming as makers of clothing and other textile goods attempt to introduce technical innovations to increase the quality and reduce the costs of their products.

In the US and Western Europe, in particular, manufacturers have used robotics in technology to reduce the labour content of their production processes. These companies have moved in this direction largely because of increased competition in textile goods from developing countries.

According to Mr Allan Thompson, technical director of Platt-Saco-Lowell, a leading UK-based maker of textile machinery, increased use of automation "has been one of the biggest trends in the industry over the past six years."

A report from the US textile industry from the Office of Technology Assessment, a research arm of Congress,

warns, meanwhile, that companies in the West will have to step up research and development into new processes to stave off the competitive threat. "Future technologies are expected to be more expensive, which will increase demand for new capital expenditures," says the report.

Companies around the world produce some 30m tonnes of textile products a year, or roughly 5 kg for every man, woman and child. Textiles are used not just in clothing and domestic goods but in a range of other products, from parachutes to conveyor belts and inflatable dams.

Particularly strong in textile machinery are West Germany and Switzerland, which account for two-fifths of the world's exports in this sector. Japan and Czechoslovakia are also important competitors.

Among the leading machinery makers are Rieter, Saurer, Dabed and Sulzer of Switzerland, Platt-Saco-Lowell and Bentley of Britain; Japan's Toyota, Hovwa and Nissan; Zinser, Mayer, Schiessens and Stoll and Tector of West Germany.

Sulzer was an early pioneer in shuttleless looms, which have greatly increased the speed of weaving. In traditional weaving machines, a package of yarn is held in a mechanical device called a shuttle which carries the horizontal (weft)

thread between vertical lines of the warp.

In the newer machinery, the weft is guided across the thread by jets of air or water. Water-jet looms have been especially successful in weaving textiles based on fibreglass. Among the leading companies in this technology are Nissan of Japan and Investa of Czechoslovakia.

Spinning, in which small and irregular lengths of material such as cotton are twisted together to produce continuous yarn, is another important process which has seen big technical changes.

Platt-Saco-Lowell, which is a subsidiary of John D. Hollingsworth on Wheels, an oddly named US machinery company, claims a four-year lead on its rivals in the area of friction spinning. In this technique, the twist is imparted by pulling the threads through rollers, rather than through a rough kind of rotating action.

According to Bentley, the UK company based in Accrington, Lancashire, friction spinning machinery produces yarn at the rate of 300 metres a minute, compared with the 150 metres a minute that is the norm with established techniques of rotary spinning.

In applications of robots, the Office of Technology Assessment report says the devices are likely to see extended use in the textile-goods industry in three main areas, materials transfer, inspection and process control. For example, robots

could transport yarn packages between spinning or inspection machines or remove finished garments from sewing stations.

The textile industry, the report says, is likely to become an important testing ground for makers of highly advanced robots which gain information about their surroundings using vision or touch sensors. Such sensors could be useful, for example, if garment manufacturers require their robots to pick up items of cloth of widely differing shapes and sizes.

Textile-Clothing Technology Corporation, a government-sponsored research venture in the US, has made some progress in linking the use of robots to automated sewing machines. The corporation, based at the Charles Stark Draper Laboratory of the Massachusetts Institute of Technology, has developed a computerised process in which robots take cut fabric and feed this to machinery for sewing.

The system (see diagram) has been tested mainly in the manufacture of coats and trousers. Among the US companies working with the corporation on the sewing project are Singer, the sewing-machine concern, and Palm Beach, Hartman and Greif, three garment enterprises.

Other areas of fast-advancing technology related to textiles and cloth production highlighted in the Office of Technology Assessment report include dyeing and finishing. Here, sophisticated controls systems are required to monitor the various stages in the addition of dyes and other chemicals to fabrics. The controls reduce the number of discrete steps and permit greater flexibility in producing fabric of a specific colour and final texture.

Computer-aided design is playing a part in the process of designing new clothes, while other advances are taking place in the area of carding machines. These devices are used in yarn production automatically to straighten fibres and to separate useful material from shorter lengths, pieces of leaf (from cotton plants and so on) and other items of industrial waste.

The US Textile and Apparel Industry, A Revolution in Progress, Office of Technology Assessment, US Government Printing Office, Washington DC 20402-0225.



Edited by Geoffrey Charlsh

Robots to go where no man can

BECAUSE OF high radiation levels, the first dismantling of a major atomic reactor in the UK will be tackled by the Atomic Energy Authority at Windscale with the aid of robots.

Taylor Hitec, the UK automation and robotics consultants, will design and build suitable manipulating and control robots which will be positioned inside the reactor from the roof, using a handling unit made by Strachan and Henshaw of Bristol.

The advanced gas-cooled reactor, now at the end of its life, will take several years to dismantle and the robots will be operated completely from outside the reactor's shield. They will position the necessary tooling and will cut the steel pressure vessel into manageable pieces using oxyacetylene torches. They will then weld grates to the pieces which will be taken out through the roof. Positioning accuracies of 0.5 mm are called for.

Security pictures over the phone

FRENCH COMPANY Serel, of Nice, has developed a "closed circuit" which allows television pictures of secure areas to be sent over phone lines to the manager or owner of premises.

A picture, of about half the definition of an ordinary TV image, is sent in the form of a "frozen" frame. A frame is sent only if a change has occurred since the last one was transmitted. Thus, the sudden presence of a person or car in the picture would cause a transmission.

The reduced information content of the picture means it can be sent cheaply over an ordinary phone line. Normal TV images require coaxial cable or microwave links. The system will automatically detect if the picture is programmed into it and send its picture to a receiver at the other end.

Cells will boost catalyst's action

POROUS POLYMERS with cell sizes down to 0.1 micron (millionths of a metre) have been produced by a team at Sandia National Laboratories in Albuquerque, New Mexico in the US.

The cell sizes are about a thousand times smaller than the cells encountered in conventional foamed polystyrene material and are also very uniform in size and evenly distributed.

One likely use for such materials will be to support catalysts in chemical processes, since the foam presents a very large internal area for the volume involved. Catalysts are substances which accelerate chemical re-

actions but which take no part themselves.

The more of a catalyst that can be presented to the reaction in a given space, the better. Another possible application is for controlled drug release. There is also the prospect of growing artificial human tissue because the new material will support the growth of certain cells.

The materials are made by causing dissolved polymer to come out of solution in a controlled way and then removing the remaining solvent (by freeze drying for example).

Electronic help in paper chase

NETWORKED DOCUMENT image transfer transmission is at the pilot stage at Xionics, the UK networking company. Production is planned for early next year.

Original documents will be scanned and filed on optical and/or magnetic disks. They can then be accessed or altered on a network of terminals or printed on laser printers.

Called DIP (document image processing), the system is aimed at organisations that will be distributed to executives of original documents. Xionics is already discussing a project with British Petroleum in which newspaper cuttings will be distributed to executives. Other prospects include site to site engineering drawing transmission and the storage of bank customer signatures to allow instant checking by staff.

Comprehensive security measures are incorporated in the system, which is based on the IBM personal computer model AT. Xionics puts the likely basic cost at £20,000.

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Grooving in the golf club

KEEN GOLFERS will be interested in the curious matter of the shape of the grooves on the striking face of a club. Usually these have a "V" cross section, but a US golf club maker, Karsten Manufacturing Corporation, has made the grooves square, maintaining the striking face of a club. Usually these have a "V" cross section, but a US golf club maker, Karsten Manufacturing Corporation, has made the grooves square, maintaining the striking face of a club. Usually these have a "V" cross section, but a US golf club maker, Karsten Manufacturing Corporation, has made the grooves square, maintaining the striking face of a club.

Whether or not the grooves break US or UK rules of the game is unclear. In any event, British company, Bymec Hydraulics, has developed a \$16 hand tool that will, with a few minutes gentle scraping, turn the "V" grooves into square ones on existing clubs. The tool has hardened cutters (which can be changed by rotation when they get blunt). It is designed so that the width of a groove does not exceed the 0.035 inch maximum allowed on existing golf clubs.

The Royal and Ancient Golf Club, St Andrews, has not ruled the tool out. However, it says users should ensure that after conversion, the separation of the grooves is at least three times their width, and that there are no sharp edges.

CONTACTS: Taylor Hitec: UK, 02572 55525; Strachan and Henshaw: UK, 0272 66477; Hymec Hydraulics: UK, 0276 29121; Serel: Nice, France, 93 212303; Sandia National Laboratories: US (505) 844 8066; Xionics: London, 345 0247.

Keys at the centre of Nato war games

BY ALAN CANE

ONE HUNDRED years hence, tourists will walk round this room of panels and keyboards as keenly as they walk round the Cabinet War Room under Whitehall.

Situated in a supposedly nuclear proof bunker somewhere in Belgium, this is the heart of Nato's computerised

intelligence system—Whidde or Warr Headquarters Information Display and Dissemination.

Cockpits of war can be displayed on the Sigmex screens powered by Digital Equipment VAX and MicroVax computers—over 40 of them.



THE ARTS



Music

ITALY

Milan: Teatro Alla Scala: the pianist Murray Perahia; Mozart, Schumann and Beethoven (Mon), (80 91 20).
Florence: Teatro Comunale: BBC Symphony Orchestra conducted by Yuri Temirkanov; Tchaikovsky, Prokofiev and Britten (Thurs), (277 8238).
Rome: Teatro Olimpico (Piazza Gallea da Fabiano): Richard Stoltzman (clarinet) and Richard Goode (piano), Weber, Mozart and Stravinsky (Wed), (383 394).

VIENNA

Alicia de Larrocha, piano, Beethoven, Turina, Granados, Muszkverin (Mon).
Vienna Chamber Orchestra conducted by Peter Schneider with Montserrat Caballé, Maria Galleo, Gabriele Sima, Grace Bumbury, David Rendall, Gluck's Telemaque, Konstanthaus (Tue).

NETHERLANDS

Amsterdam, Concertgebouw: Wilfried Boettcher conducting the Netherlands Philharmonic, with Rudolf Buchbinder, piano: Beethoven (Tue), (71 83 49).
Utrecht, Vredenburg: Handel's Jephtha sung by the choir of the Utrecht Oratorio Society, with instrumental ensemble and soloists, conducted by Johan van de Camp (Wed), Wilfried Boettcher conducting the Netherlands Philharmonic, with Rudolf Buchbinder, piano: Beethoven (Thurs), Recital Hall: Viktor Liberman, violin, and Alexander Warberg, piano: Beethoven (Tue), (31 45 44).

LONDON

Polish Chamber Orchestra directed by Iona Brown, violin with Jan Stanienda, violin, Bach, Britten and Tchaikovsky, Barbican Hall (Mon), (338 8981).
Maurizio Pollini, piano, Beethoven, Royal Festival Hall (Mon), (926 3191).
London Mozart Players conducted by Jane Glover, with John Lill, piano and Allen Handy, trumpet, Beethoven, Shostakovich, Stravinsky and Haydn, Royal Festival Hall (Wed), London Bach Society and Steinitz Bach Players conducted by Paul Steinitz with soloists including Patricia Kwella and Dame Janet Baker, Handel, Bach and Glaser.

Queen Elizabeth Hall (Wed), (828 3191).

London Symphony Orchestra conducted by Leonard Slatkin with M. Dori, violin, Rostislav Paganini and Prokofiev, Barbican Hall (Thurs).
Royal Philharmonic Orchestra conducted by Vernon Handley with Mitsuko Uchida, piano, Borodin, Rachmaninov and Stravinsky, Royal Festival Hall (Thurs).

PARIS

Beethoven Radio Orchestra conducted by Sir Colin Davis: Beethoven, Mozart (Mon), TNP-Châtelet (423 4444).
Montseurat Caballé, soprano, Miguol Zanotti, piano (Mon), Theatre de l'Athénée (4742 6727).
Alfred Brendel, piano, Schubert (Tue), Salle Pleyel (493 0796).
Gerard Souzay, baritone, Dalton Baldwin, piano: Operatic arias and French vocal music (Mon), Salle Gaveaux (4502 8971).
Orchestra and Choir Paul Kuentz, Maurice Andre, trumpet: Albinoni, Hertel, Scarlatti, Vivaldi, Corelli (Tue), Saint-Severin Church (4503 7953).
Trio Rialto - piano, violin, cello: Schumann, Ravel, Lalo (Tue 12.30am), Schumann, Chausson, Lalo (Thurs 6.30pm). Both concerts at the Musée d'Orsay covered by the museum's entrance fee (4549 4814 ext 4339).

TOKYO

Hiroshima: 30 paintings from the permanent collection trace the use of bridges as symbols of modernity and the past in works by Thomas Eakins, Winslow Homer, Raphael Soyer and Louis Lezowick among others. Ends May 24.
Chicago: Art Institute: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs shows the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends June 28.

Exhibitions

NEW YORK

Guggenheim: The first retrospective of Joan Miro since his death in 1983 includes more than 150 pieces, including paintings, objects, collages, ceramics and works on paper that explore the artist's experimental media, methods and primitive inspirations. Ends Aug 23.
Cooper-Hewitt Museum: The design wing of the Smithsonian housed in Andrew Carnegie's Fifth Avenue mansion, features a special show on folding fans. Organized by textile conservator, Lucy Commoner, the fans reflected the fashions of the times during their heyday from the 17th to early 20th centuries, as demonstrated in the 60 pieces of various shapes and designs. Ends May 31. (91st & 5th Ave).

WASHINGTON

Hiroshima: 30 paintings from the permanent collection trace the use of bridges as symbols of modernity and the past in works by Thomas Eakins, Winslow Homer, Raphael Soyer and Louis Lezowick among others. Ends May 24.

CHICAGO

Art Institute: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs shows the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends June 28.

TOKYO

Masters of Japanese and Chinese Art from the British Museum: This joint effort by Tokyo National Museum, Asahi Newspaper, NHK and British Museum brings back to the

19th and 20th century French masters

The cover of the catalogue with an amazing Henri-Edmond Cross - pointillist in technique but Japanese in inspiration - sets the tone of the exhibition, which is unusual for the rich representation of the great names of the period and the masterpieces it is showing.

There is a magnificent Toulouse-Lautrec - Moulin de la Galette - with figures in red, green, brown and with faces straight out of Brecht's Three Penny Opera. Across the room hangs a rare Gauguin - a plunging view of a fisherman and bathers in the Avon in Brittany, painted in the luminous colours he discovered in Martinique.

On the first floor Nicolas de Stael occupies the place of honour with Flowers at Fontaine, a powerful composition of a glowing red flower pot as flat as a cut-out on blue-greyish ground, where large green leaves and one lilac bloom push inexorably upwards against a black background.

Even the second floor holds such treasures as Toulouse-Lautrec's portrait of his mother, traditionally, which means respectfully, rendered.

Back on the ground floor is Cézanne's portrait of Madame Cézanne in a black striped dress with a white collar, offsetting a placidly serious face delineated by strong contours. Lighter in vein is Degas' ballet dancer adjusting her shoe, sketched on pink paper and reproduced so often that one could hardly believe that an original exists. It does. Here it is. Galerie Schmitz, 306 rue Saint-Honoré (4269 3636) closed Sundays and lunch times. Ends July 18.

some interesting works. Asano's Peaceful Horizon and Kimura's Vale in Winter use traditional Japanese brush and ink and subdued colours. Morita's Chrysanthemums, Doka's Ruins of a City and Mizutani's Dawn demonstrate the Japanese eye for detail. Yamamoto Museum, Yamamoto Building, 9th Floor, Kabachiko Station. Ends May 24. Closed Mon.

LONDON

The Tate Gallery: Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and discussion ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show

all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful ostentatious Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and some for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

French drawings: At the beginning of the 18th century Louis XIV's love of the grandiose gave way to an art more intimate, more pleasing. A

new generation of artists around Antoine Watteau introduced colour as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musée du Louvre, Pavillon de Flora. Closed Tue. Ends June 1. (4260 3828).

ITALY

Venice: Palazzo Grassi: The Arcimboldo effect: a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Arcimboldo. Much appreciated in his own lifetime for his extraordinary composite portraits, in which the features of the sitter would be composed of the tools of his trade - Pots, pans and vegetables for the cook (which turned upside-down becomes more a still-life) or books for the librarian. - Arcimboldo spent most of his working life outside Italy, in the service of three Hapsburg emperors. Included in his arresting portraits: Rudolf II as the Egyptian god Vertumnus, made up of fruit, vegetables and ears of corn. The exhibition contains works by Arcimboldo's predecessors, such as Leonardo, Dürer and Bosch, as well as those of artists

active in the early years of the 20th century. It attempts to draw links - some obvious (Dali, de Chirico, Man Ray and Duchamp). Ends May 31.

NETHERLANDS

Amsterdam, Nieuwe Kerk: World Press Photo exhibition. Ends May 24.
Amsterdam, Van Gogh Museum: Thirty paintings by some of the leading French Realists and Impressionists on loan from New York's Metropolitan Museum. Extending from Delacroix to Gauguin, with a sprinkling of Vincent van Gogh's favourite artists, there are landscapes by Millet, Corot and Monet, a Cézanne still life, Manet's colourful and supremely self-assured Young man in the Costume of a Major, and Picasso's evocative Boulevard Montmartre. Ends May 31.
Rotterdam, Prins Hendrik Maritime Museum: Centred around two high decorative wall maps, The World According to Blaeu examines the history of cartographic publishers, whose expert, detailed charts were based on the latest information from ships' journals and seamen returning from voyages to the Republic's far-flung trading outposts. Ends May 25.

SPAIN

Madrid, Daniel Aubry: American Icons. Photographs by young artist in his early travels. Acha, San Bernardino 107. Ends June 5.
Madrid, Centro de Arte Reina Sofia, Santa Isabel 53: Raumbilder: 5 German sculptures in Madrid. Ends June 22. Also: American Dreams: 116 photographs by 33 photographers from 1880. Ends July 6.

Opera and Ballet

PARIS

Der Fliegende Holländer with Marek Janowski/Christopher Perick conducting the romantic parable on the solitude of the artist in society. Paris Opéra (4295 5022).
Spectacle: Ecole de Danse presents The Two Pigeons followed by Suite en blanc in homage to Serge Lifar at the Opéra Comique (4296 0611). Nabucco is in a super-production of 550 performers, two orchestras and three choirs at the Palais Omnisports till May 22. (4346 1221).
Ballet Antonio Gades at the Palais Des Congrès (4268 2075).
Merce Cunningham Dance Company with his radically modern concepts. Théâtre de la Ville (4274 2277).
Euridice - a musical fable - is co-produced by Radio France, Montpellier Opéra and TNP Châtelet at TNP Châtelet at TNP-Châtelet (4233 4444).

ITALY

Rome: Teatro dell'Opera: A new production of Madame Butterfly directed by Aldo Trimigi and conducted by Rino Sacconi. The cast includes Raina Kabaivanska (alternating with Miwako Matsuno), (46 17 55).
Florence: Teatro della Pergola: Strauss's Capriccio (sung in Ger-

man) conducted by Gustav Kuhn and directed by Willy Decker, with scenery by Wolfgang Gussman and costumes by Marion Gerretz, Fellini-Lotti stages the Contessa. (377 6238).

Naples: Teatro Comunale: Ballets by John Cranko, Aurelio M. Milloss and Egon Madsen, conducted by Fabio Mancini, danced by the Aler-Talier Company and the Maggio Musicale Ballet Company (277 8238).
Naples: Teatro San Carlo: Fidelio conducted by Egon Kutz and directed by Filippo Sanjust, who also designed the scenery and costumes. The cast includes Elaine Hase, Elisabeth Gale, Tom Krauss and Robert Schunk. (41 71 44).
Genoa: Teatro Margherita: Rigoletto conducted by Daniel Oren with Leo Nucci in the title role. A new production by Luciano Alberto, with scenery and costumes by Pasquale Grossi (589 329).

WEST GERMANY

Berlin, Deutsche Oper: Die Hugenotten conducted by Jesus Lopez Cobas in John Dew's production with Angela Denning, Pilar Lorenz, Victor Erlend and Lemus Carmona, joining the repertory of Hoffmanns Erzählungen, sung in French with Faye Robinson, Simon Estes and Kenneth Riegel. Die verkaufte Braut conducted by Hans Martin

Rabenstein with Lucy Peacock, Kaja Borris and Peter Marx (343 81).
Hamburg: Opera house closed for renovations - all performances in Hamburg Musikhalle. La Favocita, offered in a concert version stars Alfons Nefé, Giorgio Zaccaro, Alberto Cupido and Hain-Hua Su.

Frankfurt, Opera: Last performance of La Bohème, in which Yoko Watanabe and Alberto Cupido sing the main parts. Ein Mosenhall has a particularly strong cast with Natalia Trutskaja, Luis Lima, Giorgio Zaccaro and Nan Christie. Die Walküre and Das Rheingold, both produced by Ruth Berghaus among the brightest Frankfurt successes of recent seasons. The cast includes Sandra Walker, June Card, Cornelia Berger, Wolfgang Probst, Caterina Ligabue, Ellen Shale, Gail Gilmore and Walter Raffner. Dido und Aeneas are sung by Glynnis Linos and Valentin Jar. Die verkaufte Braut rounds off the week. (2 56 21).

Cologne, Opera: Fidelio has fine interpretations by Marianne Eixel, Eric Halverson and Hermann Winkler. There was much applause for Der Rosenkavalier, when it opened. The cast brings Margaret Marshall, Debra Ziegler, Teresa Riagholtz and Günter von Kamen together (2 07 61).
Staatstheater Stuttgart: Guest performance of the Bolshoi Theatre with Boris Godunov, sung in Russian.

The week also features Die lustigen Weiber Windsor, Otello and Jenua. (2 03 21).

NETHERLANDS

Amsterdam Muziektheater: The Netherlands Opera with Puccini's Madama Butterfly directed by Monique Wagenvoort and designed by Hermann Sohr. The Netherlands Philharmonic conducted by Charles Beades, with Hiroko Nishida (Cho-Cho-San), Franco Farina (Pinkerton), Judith Christa (Suzuki), and Malcolm Donnelly (Sharpless). (Tue), (253 453).
The National Ballet with Before Nightfall (Christie/Martini), Corps (Van Manen/Berg), Seventh Symphony (Van Schayk/Beethoven), Tus in Den Bosch, Casino (123 125), Wed and Thurs in Utrecht, Schouwburg (31 02 41).

LONDON

Royal Opera, Covent Garden: The latest revival of John Copley's rather pretty-wet production of Massenet's Werther introduces London to Francisco Araiza in the title role and Agnes Baltsa as Charlotte; Michael Schumacher conducts. Further performances of Turandot last of the Stravinsky-Revel double-bill made famous by the David Hockney sets and costumes. (249 1066).

English National Opera, Coliseum: Opera in the Underworld, a Grand Scarlo-designed extravaganza not notable for genuine Offenbach wit or satire, returns for a further round of performances led by Lilian Watson and Terry Jenkins. Grandiose in his Stone Guest and Mozart's Don Giovanni, two very different versions of the Don Juan legend, both continue in the repertory, each in a performance with a good deal of theatrical interest and musical skill to offer. (836 3161).

VIENNA

Staatoper: Der Rosenkavalier conducted by Kurt with Te Kanawa, Fuschbinder, Wise, Banfalvi, Slania, Zelenka; Otello conducted by Moha with Domingo, Tomov-Simov, Liova, Bruson; Werther conducted by Plasson with Von Stade, Sasaki, Hansrud, Kraus (31 444/2855).
Volksoper: Das Land des Lächelns, conducted by Bibi; Der Opernball, conducted by Boncompagni; Der Freischütz, conducted by Bibi; Orpheus in der Unterwelt, conducted by Bibi (31 444/2857).

NEW YORK

American Ballet Theatre (Metropolitan Opera House): Cynthia Gregory, Marianna Tcherkassky and artistic

director Mikhail Baryshnikov return for the spring season of mixed programmes, including company premieres of Sunset choreographed by Paul Taylor to Elgar and Enough Said, Clark Tippet's choreography to George Perle's music. Lincoln Center. Ends June 13 (282 6090).

New York City Ballet (New York State Theatre): More than 40 works by Balanchine, Robbins, Peter Martins and other choreographers will be part of the two-month-long 88th season, including two new works by Martins set to music by Handel and Michael Torke. Ends June 28. Lincoln Center (870 5570).

TOKYO

Asahi Maki Ballet Company in works from classical ballet repertoire. Chuo Hall. (Wed), (460 9411).
Ballet (Japan's unusual contemporary dance): Anzu Furukawa formerly of renowned Sankaijuku Troupe. The Mermaid, Parco Stage Lab. (Thurs), (477 5674); Min Tanaka choreographing works by Western disciples, Tsumo de Quincy (Mon), Monte Garcia (Tue), Katerina Bakatsanski (Wed), Plan B, Nakano Fujimoto (394 2051).

Continued on Page 13

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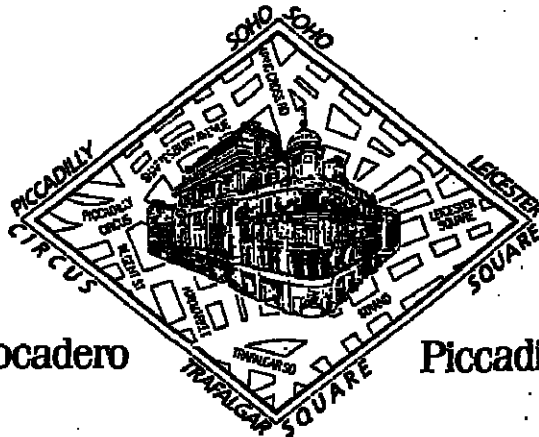


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THE ARTS

Films in Cannes and London/Nigel Andrews

Distinctions, indistinctions and oddities

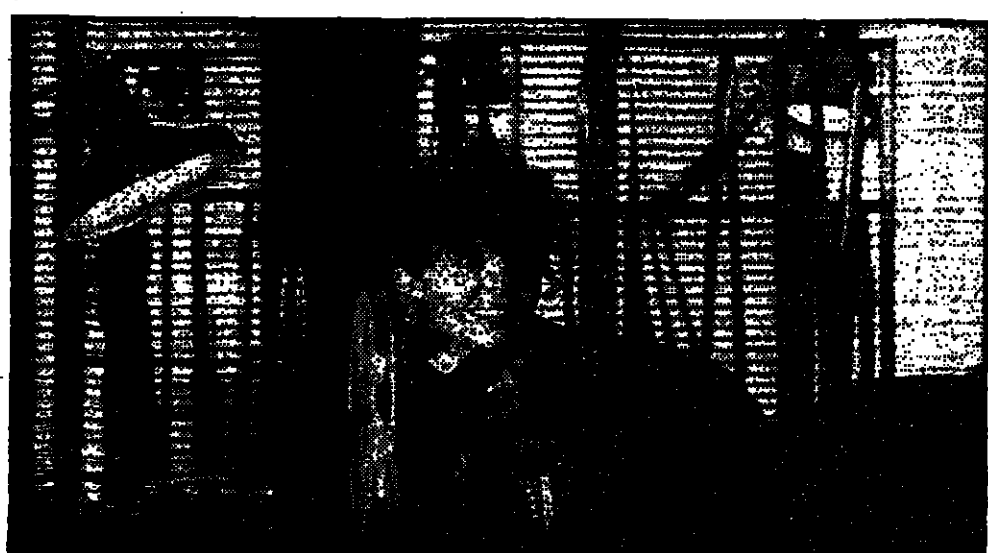
After beginning with a rush of blood, the 40th Cannes Film Festival is now behaving as if under doctor's orders to slow down. The Competition has been giving us craftsmanlike movies unlikely to strain either the heart or the brain.

Closest to making the pulse race in recent days has been *Good Morning Babylon*. Directors Paolo and Vittorio Taviani (of *Padre Padrone*) have seized on a marvellous truth-based story idea — the tale of two Italian brothers who found fame in Hollywood by designing the giant elephants for D. W. Griffith's *Babylon* set in *Intolerance* — and turned it into a gilded fable about the early days of cinema.

Apart from a handful of US location shots, the film was made entirely in Italy, and it takes place in a sunlit Arcadian climate that could equally be called Hollywood or medieval Umbria. The brothers (Vincent Spanio and Joaquin de Almeida) belong to a family of cathedral-restorers; they are grudgingly despatched to the New World by their stern father (Omero Antonutti) when business fails; and when they later get married on the set of *Intolerance*, who should turn up Dad, who promptly has a verbal tussle with D. W. Griffith (Charles Dance) about the relative importance of cathedrals and movies.

The film is almost scuppered by two directly written "female interest" roles. Greta Scacchi and Désirée Becker play, with many a giggle and snigger, the two aspiring starlets who marry our heroes. And Charles Dance's Griffith struggles manfully but none too convincingly with an American accent. (Could they not have got an American?)

But whatever the two brothers take centre screen (they are surely after egos for the Tavianis themselves), the film purrs into life. And two sequences alone remind us that we are in the hands of master filmmakers. One is the brothers' sea crossing filmed as a wordless, fantastical short-hand of sliding wine glasses,



Diane Keaton with her own film "Heaven"

black-fuming smoke-stacks and rearing ocean waves gilded by sunset. The other, almost equally surreal, has the two brothers deep in the California countryside, one clashing a pair of cymbals pensively by a river, the other conjuring up flash-back images of his father and homeland from the sparkle of a wine glass.

From two brothers who build elephants it is but a short step — for critics seeking thematic segues in a festival — to a sister who tends glass animals. In Paul Newman's film of *The Glass Menagerie*, his wife Joanne Woodward plays the Missouri matron and Karen Allen and John Malkovich co-star in this touching, funny, unfussy version of Tennessee Williams' play. The role of the mother, that garishly clinging hen gifted with some of the best dialogue Williams wrote, has already been devoured on screen by Gertrude Lawrence and Katharine Hepburn. But Woodward brings to the role a crackpot lyricism all her own. She hits high-strung high notes that one thought existed only in the mind's ear, and her pre-

sence — frazzled hair, perplexed eyes, sudden gestures flustering in quibotic emphasis — is unforgettable. A Cannes Best Actress prize is surely in the offing.

Other Cannes movies are already sorting themselves out into a pantheon of distinction, indistinction or cherishable oddity. When personal prizes are handed out at close of festival, they will have to include:

Best cure for insomnia: John Sayles's *Motocross*, a 1920s-set tale of striking Virginia coal-miners, whose silted social earnestness put me to sleep after twenty minutes.

Best film consisting of a montage of clips from previous Cannes films: Gilles and Laurent Jacob's affectionate look back at the Festival's forty years.

Best party political broadcast by Glenda Jackson masquerading as a feature film: Lesli-An Barrett's *Business As Usual*, in which our Glenda strikes a blow against social and sexual discrimination in Thatcher's Britain, as a sacked Liverpool shop manager who gets the pickets out.

Most colourful and informative movie title: (ex aequo) *Space Shards in The Slammer* and *Assault of The Killer Bimbos*.

My Best Documentary prize there is no contest. Diane Keaton's *Heaven* is a wonderfully inventive vox pop extravaganza. An unseen Keaton quizzes people about their attitudes to the afterlife. Theories of what Heaven is like run the entire gamut of human response: "It's like a bride preparing for a wedding," "It's like New York or LA or any other city." The interviews are filmed in wackily-lit sets that look a child's version of German Expressionism, and they are wittily intercut with clips from the cinema's own forays into the more lunatic fringes of life and death (from *Metropolis* to *Dracula*). For those who equate the word "documentary" with brain-atrophying films about oil-drilling or coal-mining or oyster-farming, Keaton's movie is a joy and a tonic.

In London the merry middle of May is dominated by Jack

Lemmon and Julie Andrews in the sentimental comedy *That's Life*. Beats there a heart so hard that it can resist the sight of these two old-stagers going through the hell of prolonged marriage, late menopause and advancing mortality?

Speaking personally, my heart is as granite when called on to commiserate with people living in luxury in Malibu. This movie, directed by Blake Edwards (alias Mr Julie Andrews) convenes lush production values, soap opera emotions and minimum travelling expenses for Mr and Mrs Edwards since it is shot in their own house. Two of their own children and one of Mr Lemmon's also play the offspring, who bring their problems home one eventful weekend when Mr Lemmon has got a bad attack of *timor mortis*, a lump from Miss Andrews' throat is being tested at the hospital, and a giant beach barbecue is being planned, surely ill-advisedly, for Sunday night.

Yet despite some queasy moments, the film, like the best, because, turn out rather well. Miss Andrews is a pastmistress of eloquent concern: "I've never seen you so unglued, hon," she coos to Lemmon with crystalline care and a furrow of those Rosebud eyebrows. And the unglued Lemmon has some wonderfully unglued moments; notably when, while reading the lesson in church, he discovers to his visible panic that the book he has caught crumbs from a recent indiscretion.

It is certainly a week for below-the-belt incident in the movies. *Il Petomane*, an Italian bio-pic about the 19th-century French music-hall star "Le Petomane" whose wind was his fortune. He broke it, many times and in many varied ways, to entertain the customers in the Moulin Rouge and elsewhere. Despite a feeling that the film has merely taken the phrase "art for art's sake" and added two initial F's to it, it is perkily directed by Pasquale Festa Campanile and likewise acted by Ugo Tognazzi.

An Ideal Husband/Chichester Festival Theatre

Martin Hoyle

A few months after the Glasgow Citizens Theatre presented *Ideal Husband*, weighed down by gilt and velvet, social privilege carried to caricature extremes as the characters bayed and squawked, the Chichester Festival comes up with the polar opposite: a piping miniature whose initial pastel-coloured set (blue and pink, plus a Tiepolo cartoon) betrays the fatal anaemia of good taste.

Peter Rice's designs evoke applause, as do the actors' exits (less so their entrances). Tony Britton's old style production evinces little wit and misses much humour. At the Chichester's party the flirtatious mockery of "Pray do not make these feckless scenes in public," kills the badinage stone dead when uttered seriously by a cross young woman who promptly storms out. And there is no point in lines like "You look very English," when their absurd object, the irreversibly French dandy with his aspirant anglicisms, looks exactly that. One wonders whether the producer actually detected the irony in the dialogue.

Perhaps this lack of irony prompted the laughter that greeted the plot's melodramatic twists. A recognition of how dated these moral posturings are might have pre-empted much of the acting's bewildered solemnity. A pity, since in lines like "Truth is a very complex

thing," we hear the ageless voice of realism; such sentiments as "the god of this century is wealth" have a timeless ring, and the story of a promising young politician who sells state secrets to a speculator is the insider deal par excellence. Glasgow gave us comic distortions of past decadence, Chichester gives us a never-never land not too far from the real world of Haymarket or Shaftesbury Avenue. Neither allows the comedy any relevance for today.

Against Act 2's gold and white with gilt and satin furniture, or the reds and browns of Goring's library with its stained glass windows, the two male leads give a curious display of playing each other's roles. David Gwillim's Chiltern has a roguish twinkle, worlds away from the priggish stick this vunted paragon so often seems. His youthful error is believable; believable too his talents and ultimate worth. Mr Gwillim's charm, assurance and style almost make us forget this play's moral ambivalence. He even makes sense of the "false idols" speech — that odious attempt to spread the blame.

On the other hand, as Lord Goring, that witty, cynical, loyal friend the *fiancé* with a steady will and soft heart, Clive Francis gives a charmingly wooden performance with that hollow vocal quaver that is now an obtrusive mannerism. He alters

nates tiresome piety and smarmy-pants smugness. Never have the epigrams thrived so mortally as when Mr Francis reels them off. As his manservant, Peter Fontaine is his superior in timing and indeed equal to anyone on stage save the splendid Gwillim.

Joanna Lumley's Mrs Cheveley is dark-eyed with healthily predatory teeth. Anxious not to let the pace flag, she begins too quickly: the voice loses authority in the higher reaches. A striking presence, she can afford to add point and weight to the lines, to vary her tone — in short, not to try so hard.

A greater sinner is Amanda Waring whose Mabel shows the vivacity and personality of her Gilt but who has no idea how to speak her lines in anything but a bolsterous, strident chirp. June Whitfield's Lady Markby is a pleasant surprise. This antic aristocrat effortlessly dominates the salon as if the Glumms had never existed.

One odd production point: having yielded her weapon to rid herself of the incriminating bracelet, Mrs Cheveley sweeps off with it still firmly clamped to her wrist. Another: the atrociously vulgar eye makeup of some of the society belles would have them thrown out of any decent Victorian house and back on the streets where they obviously belong.



Joanna Lumley and David Gwillim

Capricorn/St John's Smith Square

Andrew Clements

The four-concert series that Capricorn has devoted to the music of contemporary Scandinavian composers ended on Wednesday in St John's with a superbly executed programme conducted by Oliver Knussen which was stuffed with unfamiliar scores. Six new works are too many to assimilate fully at a single hearing; while the enthusiasm of the organisers of the series has understandably encouraged them to convey as comprehensive a picture of current trends in the Nordic countries as possible, it has also undoubtedly led to some indigestible programming.

The standard of works was uneven. Even in ideal circumstances I cannot imagine Kaija Saariaho's overlong and amorphous *Lichtbogen* for nine instruments and electronics, Gudmundsen Holmgreen's costly gentle *Terrace* for wind quintet or Esa-Pekka Salonen's blustery *Yta* for alto flute making a positive impression. But the remainder of the programme offered a full quota of rewards.

The Six Movements for string quartet by the Icelandic Karolina Eiriksdottir (born 1951) provided in some ways the most distinctive voice: scraps of material combined in movements of Weberian brevity though less elliptical expressivity, using a vocabulary of quartet gestures which seemed to look back to Janacek rather than to any of the more usual modernist models. The scheme leaves an intriguing feeling of incompleteness, as if these snapshot structures were successive glimpses of a much larger edifice only partially explored.

In *Entegegen* by the Danish Anders Nordentoft (born 1957) the style is more recognisably that of the younger generation of European composers, akin to that of some of his fellow countrymen such as Abrahamson and Ruders, but projected with a great deal of rhythmic vigour and sense of shape. The work falls into two unequal parts: the first propulsive, jagged edged, scattering

material through the ensemble, while the second provides some kind of catharsis, pulling together the threads and attempting a resolution in musical and formal terms.

All of the works other than Salonen's were receiving their first performances in Britain, and Paul Ruders' *Nightshade*, which ended the concert, was commissioned for the occasion by Capricorn. It is described by the composer as "a graveyard of low-pitched, tight-knit crawling chords sliced asunder by the cold, extremely high-positioned movements of the violin and oboe," a striking image of music which is very much confined to the lowest registers, dominated by contrabassoon and contra-bass clarinet, and coloured by Persian-like Elysian songs. It is tightly constructed — whatever the stopwatch might have revealed, it certainly felt like the shortest work of the evening — and grimly assured, though what impulse lies behind its sound, world I hesitate to imagine.

Built on Sand/Theatre Upstairs

Claire Armitstead

Among the wealth of new work charting the Ulster experience this new play by Daniel Morrin stands apart more for its way of saying things than for the things it has to say. He gives us *The Troubles* as a blot on the liberal conscience, the myth-making imagination that James Joyce set to work on *Ulysses* resurfaces here in Morrin's weaving of the Minotaur story with the monsters he sees lurking behind every politician's smile.

The play is set, by designer Anabel Temple, on a stage slewed diagonally downwards at a crazy angle, the foremost tip dipped in blue as if bathed in sea, a hint of sombre brickwork flaming up the furthest corner. On it we first see a woman, panting as though running, gunned down by a British soldier while a huddled shape under a quilt cries to her to stop. The clue to this vicious little episode comes a few scenes later when the shape, now revealed as an Irish holidaymaker in Crete, is confronted by his RUC-serving father, who hisses: "What the hell are you doing back here in this metropolitan tragedy?"

In a labyrinth of flashes backward and forward the holidaymaker's story emerges as one unbeknowned to the tragedy of sectarian Ulster. He is the journalist son of a down-

to-earth Irish father (Gerard Horan) and a bigoted Scottish mother (a perfectly po-faced Annie Hayes), whose love affair with a Catholic girl is destroyed when she falls in with the Republicans, turns away from him and is finally shot. Recurring abroad, Andrew — a performance packed with staccato energy from Michael Maloney — conceives of Ulster as a nation beholden to a mon-



Michael Maloney

ster, needing only to be freed by a hero with a sword.

The irony of violence as a means to end violence courses through the play, swelling the constant undertow of barbarity and inspiring an attempt by Andrew to halt the destruction by forcing a confrontation between republican and loyalist politicians.

Inevitably all they can agree is that neither will truck with an Anglo-Irish agreement. What begins as a guardedly civil encounter between two men already stamped by Mark Lamb and Des McAleer as thugs behind candied words, ends up as an extraordinary dense *monologue* in which the two, like a hydra of gobbling heads, tear the dead girl Ann Lamb from limb before turning conspiratorially on each other.

It is a brilliant, grotesquely funny climax to a play that is somewhat uneasily straddled between wild physical images, surreal and sparsely marshalled by director Lindsay Posner, and a luxuriant in words for their own sake. The central points — about Ulster's obsession with blood sacrifice, its enmeshment in this obsession in a new nationalist mythology of young martyrs (Rachel Joyce's madonna-like Ann among them), and the impotence of the liberal democrat in the face of such bigotry — are made as often as they are variously.

Measure for Measure/Young Vic

B. A. Young

An interesting essay in the Young Vic programme picks out all the mercenary references in the play, but David Thacker does not stress them in his modern-dress production. There are no computers in the Duke's offices, as there were in Antonio's at Manchester. Corin Redgrave's Angelo is no yuppie; indeed is older and squarer than Matthew Marsh's Duke. The relevance to our own time depends more on our newly-critical attitude towards the sexual freedom of the 1960s, paralleled by Angelo's sudden restrictions.

This Angelo is a serious man, with barely a smile even in his businesslike seduction of Isabella. The Duke, on the other hand, is a light-hearted fellow, rather too free with his affections to make a convincing Friar. Indeed he cares little about the act of his, for he removes his hood as soon as he can, and so can easily be recognised by intimates like Escalus (Randal Heyley) and the Provost (Will Pacey).

Isabella (Saskia Reeves) is too shrill and excitable ever to have been a novice (and she, too, uncovers her head whenever she can). Margot Leicester's Mariana seems unduly depressed by Angelo's year-year acts. Though she sings "Take o' take" herself instead of entrusting it to a boy. The most

convincing of the women is Janet Crawford as Mistress Overdone, who is slender and smartly dressed, her brother-in-law is worn. Stratham, would be fun and profitable if only the new laws would keep off it. David Boyce's Pompey might not be quite smart enough for it, the evening's only dinner partner. Claudio, which he was evidently wearing when he was nicked. Pompey makes a good headman, though he appears not to know the difference between a rope and an axe.

Rob Edwards gives an interesting Lucio. He does not play him as a funny character, but speaks the comic lines intelligently enough for the fun to come out without the usual touch of camp. Ruari Murchison's designs are confined to the furniture, deftly handled by the stage staff. The Duke's grand return seems to take place in a spacious hall rather than anything like a city gate. Jessica Bowie's costume designs are strictly state-of-the-art.

Elisabeth Welch

at the Almeida
Elisabeth Welch appears in her new show for three nights only at the Almeida Theatre on May 18, 19 and 20.

Arts Week

Continued from Page 12

Theatre

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is London with Jonathan Ross and Hyde and Eleanor David replacing new faces of Broadway. Al-an Rickman and Lindsay Duncan. (836 6111 or 836 1171).

Women in Mind (Vandœuvre): Pauline Collins and Michael Jayston now lead a new cast in Alan Ayckbourn's bleakly ingenious comedy about a housewife fantasising the ideal family on the back lawn. (836 8867/8845).

High Society (Victoria Palace): Dramaturgically sound but musically weak conflation of film, play and assorted Cole Porter hits directed with punch but little taste by Richard Eyre, director designate of the National Theatre. Stephen Rea notably charming in the Sinatra role, Natasha Richardson uncovered by Grace Kelly as the ice maiden who melts. (834 1317/838 4735).

Anthony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as best the scented lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in *A View from the Bridge*. Juliet

Stevenson in a fine revival of Lorca's *Yerma*; and David Hare's production of *King Lear*, Hopkins, a massive gothic oak, which gathers force and awe as it builds in the repertoire. (836 8285).

Macbeth (Barbican): Jonathan Pryce is a wraith, black as the night in Adrian Noble's exciting production for the RSC. It plays in repertoire with Jeremy Irons' inconclusively whimsical Richard III and a range of other plays. (836 8285).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, majestic and peppy. (836 2244, CC 379 6131/240 7200).

Women in Mind (Vandœuvre): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vintage feminist drama; he not put off by that. (836 8867/8845).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollercoasting fully has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cuts are all influences. Pastiches score nods to Woody, Rocky, country and hot dogs. No child is known to have asked for his money back. (834 6184).

TOKYO

Kabuki (Kabuki-za): The dance section of the matinee is the best for newcomers. Famous actor Ballo dances the charming wisteria maidens, and Kanazawa an old Buddhist priest begging for alms. The highlight of the evening performance is Funa Benkei, symbol of loyalty to the Japanese. A lively and typical Kabuki scene is the battle between the water-borne ghost and General Yoshitsune's followers. English programme and excellent exphome commentary. (541 3131).

Kabuki (Shimbashi Embryo): Emonaka stars in his own version of Yoshitsune Senbon Zakura (a more adventurous — even audacious — version of the play at Kabuki-za). Emonaka's productions are the most spectacular in the form today, especially his quick-changes and trapeze acts. His ghost and fox roles are great fun. For first-timers in Kabuki this is a must. (541 2211).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earl Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221-1211).

All My Sons (John Golden): Richard Kiley has the gratifying part of Joe Keller in Arthur Miller's post-war moral tale of profits versus principle

in a nicely dated production from the Long Wharf Theatre. (239 6200).

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically tight, but classic only in the sense of a rather stiff and overblown idea of theatricality. (239 8382).

42nd Street (Majestic): An immediate celebration of the heyday of Broadway in the '30s incorporates gems from the original film like *Shuffle Off to Buffalo* with the appropriately brash and leggy hooding by a large chorus line. (877 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as emotions rather than as emotions. (239 8200).

La Cage aux Folles (Palace): With some timely Jerry Herman songs, Harvey Fierstein's adaptation of the French film managers, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2422).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6500).

Big River (O'Neill): Roger Miller's musical recycles this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (248 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holmes' Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical comedy with a twist where the audience picks an ending. (239 6200).

Les Misérables (Broadway): Led by Colin Wilkinson repeating his *West End* role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and political history of Broadway lessons in passion, love and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the sprung-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up sly plot. (536 8510).

CHICAGO

Tempest (Goodman): Company artistic director Robert Falls directs Denis Arndt as Prospero in a new production with sets by Adrienne Lobel. Ends May 23.

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

WASHINGTON

Opera Comique (Eisenhower): Anne Jackson and Eli Wallach star in *Nagle Jackson's* new comedy. Ends June 6. Kennedy Center (254 3670).

Saleroom/Antony Thorncroft

Three city boom

The auction houses are firing on all cylinders throughout the world this week. Among the latest spectacular prices reported are a record for a Durer print — £290,825 paid by a dealer in New York for an early impression of the engraving "Melencolia" — and the £884,308 bid by a London dealer at a Sotheby's jewellery sale in Geneva which secured an unmounted cushion shaped diamond weighing 73.04 carats. Until recently such diamonds were quite out of favour.

The Durer print, sold by the Kimball Art Foundation at Forth Worth in Texas which, unlike British museums, is quite prepared to sell old stock to finance new purchases, dates from 1514, and more than doubled its top estimate at Sotheby's. In the same auction "The Letter," by Mary Cassatt, in the style of a Japanese woodblock print, did well at £108,375.

Christie's was also busy in New York and Geneva. In the former it disposed of Impressionist and modern art "Orphée" by Odilon Redon, an oil portrait of the mythological hero, quadrupled its top estimate at £155,294, and a scene around a pool by Henri Lebasque did equally well at £142,353. Among the drawings a *Ma* Chagall of a nude against a blue background sold to the Japanese trade for £207,059.

Obviously the very high prices paid in the last two weeks for the masterpieces of modern and

Impressionist art is boosting the medium range goods. Among the artist records was the £110,000 paid for a pastel of the engraver Henri Guérard on the beach at Honfleur by his wife, Elvira Guérard, who died young in childbirth but who has recently been re-discovered.

In Geneva Christie's clocks and watches sale was almost half unsold, but a Patek Philippe gentleman's size bracelet watch, made in gold in 1924, did well at £53,877. By chance Sotheby's yesterday was selling watches in London. Its top price was £25,300, paid by a Swiss dealer for a gold hunting cased tourbillon made by Henry Grosjean of Geneva.

Christie's sale in London yesterday — of 19th century works of art — was somewhat blunted when the founder of Suisse-Frères in Paris withered well over a hundred bronze master casts dating from the late 18th and early 20th centuries, the work of Aume-Jules Dalou and Jean Baptiste Carpeaux.

But the auction proceeded and a pair of 19th century French bronze, copper, and silver plated busts of an Arab and a Jewish girl by Cordier beat their estimate, at £96,800.

Meanwhile, back in New York, a very fine early copy of the American constitution, produced on 19 September, 1787, sold for £82,589, double its estimate.

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Friday May 15 1987

Setback in the Punjab

THE SUSPENSION of the Punjab state government this week and the imposition of direct rule from Delhi is yet another example of the serious political difficulties in which Mr Rajiv Gandhi is becoming enmeshed.

In the heady days of 1985 Mr Gandhi scored a string of domestic policy successes, gaining widespread popularity as he started to show that economic, political and social reform really could be achieved in the world's largest and arguably most ethnically and socially complex democracy. Among his key achievements were accords towards solving long-running disputes in two of India's most turbulent states, Assam and Punjab.

The state of Punjab has had a violent history. Once part of the neighbouring Hindu state of Haryana it became a fully fledged state in its own right only to find that the extremist fundamentalists among the majority Sikh population intended to pursue the cause of a fully independent Sikh Khalistan (Land of the Pure) through violence and terror.

Crucial breakthrough

The campaign to drive Hindus out and to attract funds from other parts of India was predicated on intimidation on a scale comparable with some of the world's other intractable sectarian battlefields, such as Ulster and Sri Lanka.

Mrs Indira Gandhi tried but failed to find a way out of the impasse, eventually resorting to the imposition of direct rule in 1985, a measure which lasted for two years until her son and successor made the crucial breakthrough with the signing of the Punjab Accord in July 1985. It is all the more unfortunate therefore to see the accord in shreds and Mr Gandhi now treading the same path as his mother.

The accord achieved the crucial alignment of the central government and local moderate Sikhs behind a policy of peaceful and substantial devolution, which still fell far short of full independence.

The result was that moderate Sikhs united so enthusiastically behind the Akali Dal party, which was later elected to form the Punjab state government, that extremists became a tiny isolated minority, often hard

pushed to find villagers willing to provide food and shelter.

Unfortunately, Sant Harchand Singh Longowal, the moderate Sikh leader who signed the accord, was assassinated before the first elections were held, leaving Surjit Singh Barnala, a lesser politician, to head the new state government as chief minister.

Allegations of corruption and ministerial links with extremists multiplied and Akali Dal split into feuding factions. Mr Gandhi failed to deliver on key elements of the accord — most notably the designation of Chandigarh, the shared capital of Punjab and Haryana, as the capital of Punjab did not occur in January 1986 because of Hindu and Haryana objections. Support started to flow back to the separatists, and violence increased again, the death toll now being around 100 a month.

Quick decision

There are suggestions that Mr Gandhi may have moved dramatically this week for short-term political ends: important elections are due next month in Haryana where Hindus are likely to applaud his Punjab action and where his battered Congress I Party urgently needs to do well.

On the other hand, the arrest of several Punjab political leaders, including one of Mr Barnala's senior cabinet members among 250 militant Sikhs, suggests that the accord may indeed have been compromised from within the state administration with some of the various power-hungry factions in Akali Dal being linked to, or sympathetic to, the aims of the extremists.

Either way, direct rule will surely prove to have been much easier to impose than to lift. Mr Gandhi has to decide quickly how best to negotiate the Punjab state government's reconstitution with Mr Barnala, apparently having lost credibility on all fronts.

The hope is that an alternative to Mr Barnala can be quickly identified while Mr Gandhi's tough appointee as Punjab chief of police, Mr Julio Ribeiro, a Christian from Goa, arrives to take over the reins of control. Failing that, Mr Gandhi might find himself with few alternatives to sending in the army, a move guaranteed to alienate moderate Sikhs and do much to wreck the racial harmony within India.

Gearing up for housing

IF THE Conservatives win the election, the present low level of expenditure on building council houses is likely to persist. New ways of providing cheap rented accommodation will be required, partly to house the poor and relatively poor, and partly as a means of encouraging labour mobility. In theory the solution is total deregulation of private landlords, but in practice the benefits would take some years to work their way through, as is evident from a study, *The Housing Market*, just published by the Institute of Economic Affairs. Even then, there are other difficulties in the way of such a policy.

The IEA authors, who favour deregulation, acknowledge that, under the present rent rebate system, an unemployed man in the north might be worse off if he moved south to a job, rented accommodation, and a lower rebate. They suggest a ceiling on benefits expressed as a percentage of previous net income in work. It is conceivable that a future Tory government might find the political nerve to impose such a limit, but it would not be the end of the story. For the overriding distortion in Britain's housing market would remain in place. The upwards pressure on the price of building land, which is likely to stay artificially scarce under any government, would continue to force the market price of rented housing to levels greater than lower-income tenants could afford.

Challenge funding

The most attractive solution put forward so far has come from the Housing Corporation, which announced on Tuesday that it hoped to raise £70m on the capital markets this year to spend on building homes for rent by housing associations.

James Capel, the London stockbroker, and Cifpa Services, the financial services arm of the Chartered Institute of Public Finance and Accountancy, will set up a trust which will raise money on the markets and lend it on to the associations. The corporation did not go cap in hand to the private sector in effect it asked for tenders, considered eight, and came up with Tuesday's arrangement. It had previously gone, thinking-cap in place, to the Treasury, from which it extracted an agreement that, as an experiment,

private and public findings could be mixed in the proportion of 70 to 30. The effect is that taxpayers will be providing £100m of affordable-rent housing for an outlay of £30m.

This nicely-gear'd infusion of capital will be allocated to several types of scheme. Some £20m will provide partly for homeless families, on the basis of deals that should save local authorities much on bed-and-breakfast accommodation, and partly for young job-movers. The final £10m will be "challenge funding" to see whether the housing associations, of which there are 2,600, can use their own ingenuity in devising schemes.

Larger scale

There is plenty of ingenuity about. Under the Housing Corporation schemes, homeless families, for example, can be given fixed-term tenancies. The notoriously low "fair rent" system will not apply. Thus the 1980 Housing Act, which the Conservatives introduced in an attempt to stimulate private rented housing by providing "freely-negotiated" rents, may at last come into its own. Like private landlords, housing associations must cover all outgoings, including interest on the long-term mortgages to be raised by James Capel. The booster-shot will be the Government's 30 per cent grant, although other public money will, of course, be spent on housing benefits for those who cannot afford rent.

The Housing Corporation, which was established in 1964, monitors and supervises the housing associations, which between them own and manage some 500,000 homes. In 1986-87 housing associations spent 32 per cent of the total public funds allocated to provision of new homes for rent — although that total has shrunk steadily since 1979.

The associations are non-profit voluntary organisations whose experience in housing brings them closer to tenants than either large private landlords or the gigantic city council estate managers. They have a good track record, and the overriding authority of the Housing Corporation is helping to maintain it. If this year's 30-70 experiment works out well, it should be possible to repeat it on a larger scale next year.

A victim of past successes, socialism faces the dilemma of how to attract newly affluent voters without abandoning those who are falling behind. Edward Mortimer examines the future of the left

WHILE FRENCH Socialists feel they have suffered from being associated in the public mind with Marxism and so indirectly with the Soviet Union, that is hardly a plausible reason for the problems of the Labour Party in Britain or the Social Democratic Party (SPD) in West Germany.

For whereas in France anti-Sovietism became intellectually respectable only in the late 1970s, in both Britain and West Germany it was probably at its peak in the 1950s and declined markedly with the coming of détente.

It is true that East-West relations have been a battleground of party politics to a greater extent in Germany and Britain than in post-Gaullist France; but unlike in France, Soviet Marxism as a social system has hardly been an issue in either country. The reasons for disenchantment with socialism must, therefore, be sought elsewhere.

Two main reasons are given in both countries and would appear to be broadly applicable to northern Europe as a whole. One is that there has been a reaction against concentration of power in the hands of the state and trade unions. Seen as a result of social democratic policies, this was felt both to stifle individual initiative (supply side) and to be a prime cause of the 1970s inflation (demand side). The other is the decline in importance and numbers of the old blue-collar working class in manufacturing industry, which had been social democracy's historic base.

Thus, social democracy is seen to be partly the victim of its own successes. It succeeded in creating a welfare state, which came to be taken largely for granted. It succeeded in claiming a role in running industry for organisations which supposedly represent people in general (the state) or workers in particular (trade unions), to the point where that came to be opposed to individual citizens, including many individual workers.

It succeeded in presiding over technological change and a general rise in living standards, which together enabled many people to escape the need to stop thinking of themselves as working class — and therefore natural Labour or SPD voters — and start thinking of themselves as middle class: consumers, not producers, capable of switching from one party to another as they might between makes of car or washing machine.

But it failed to produce the sustained growth needed to satisfy the rising expectations thus created.

So the task which socialists or social democrats face, if they are to represent the future rather than the past, is threefold. They have to make themselves attractive to relatively affluent employees, particularly in the new service and hi-tech industries; they have to associate themselves with some positive value which does not imply big government or power-hungry bureaucratic organisations; and they have to achieve economic credibility, in the sense of proposing policies which do not sound like lies.

Over the wall

Ladbroke shares, recovering from last week's spate of negative rumours, have a friend in Liverpool. Stockbroker Charterhouse Tilney yesterday fully recommended the betting, hotels and retail group as a "four-division accumulator in growth".

The 19-page circular, prepared before last week's events, gives no hint, however, that Ladbroke's financial adviser (with client-merchant bank relations as close as any in the City) is the sibling company, Charterhouse Bank.

Victor Blank, Charterhouse chief executive, said yesterday that he had not seen the circular before publication on the other side of one of the group's "Chinese walls". He agreed, however, with the decision not to declare an interest in the circumstances.

"The minute you start trying to do that you compromise the integrity of the research department and the brokers."

"If I wanted them to write a pro-client circular, there's no way on earth that they would do it," Blank said. "They are vehemently independent and stand on their own two feet."

Return match

Old Oxford chums, Lawrence Banks of Robert Fleming and Christopher Bland of London Weekend Television, have had another meeting of commercial minds. This time it is through the Fleming-sponsored shake-up at Phipcom, the life sciences company.

Bland became chairman yesterday after Fleming acquired 60 per cent of the company from Magnum Corporation, a Malaysian group, and distributed most of the stock to institutions.

Banks convinced Bland to put all his cash into Sir Joseph Causton and Sons in 1977. It paid off handsomely. Bland was responsible for that company's remarkable turnaround which

In search of more fertile ground

produce a return to high inflation.

Historically, socialism was understood to be about common or collective ownership. But in post-war western Europe this notion has been steadily de-emphasised. The SPD has not been dogmatic about it since it dropped its exclusive allegiance to Marxism at the Bad Godesberg conference of 1959. Even parties which were fervent nationalists in the recent past, like Labour and the French Socialists, are extremely cautious about giving priority to reverse the privatisation programmes of their opponents.

They have recognised that nationalisation is hardly popular with anyone except workers in the industry concerned, who see it as a way of guaranteeing their jobs at taxpayers' expense; precisely the kind of guarantee that governments, whether socialist or not, can no longer afford to give. Increasingly, it is fashionable

Workers became as likely to switch from one party to another as they might between makes of washing machine

to argue that questions of ownership are long since irrelevant. Instead it is suggested — for instance by Mr Volker Hauff, SPD spokesman on energy and environmental issues — that socialism is about "limiting economic power". Concentrations of power are seen as equally bad whether in private or nominally public hands, the role of the state being rather to prevent private monopoly than to acquire or create monopolies of its own.

In the UK it is of course

Dr David Owen and the Social Democratic Party (no longer labelled "socialist" except by Tory chairman Mr Norman Tebbit) who have been most explicit in adopting this American trust-busting philosophy. But Mr Roy Hattersley, Labour's Deputy Leader and Shadow Chancellor, seems not to be far behind.

Mr Hauff's preference is for privately owned industry but with *mitbestimmung* (co-determination) on a basis of parity for worker and shareholder representatives — the former being elected directly by the workers in each firm, not nominated by trade unions and still less influenced by the state.

A former IBM employee, with experience of business and modern technology, Mr Hauff is seen by some of his colleagues as typical of the new kind of leader the SPD needs in the "post-Brandt" age. "Representing a certain degree of efficiency, not dogmatism, not the old style of trade union culture," he is "the ideal candidate for Frankfurt" — symbol of West Germany's expanding tertiary sector, so far frustratingly impervious to the SPD's appeal — according to his fellow deputy from that city, Mr Karsten Voigt.

In order to win the support of this sector's workforce, Mr Hauff says the SPD has to escape from its traditions in two crucial respects: it has to offer a new model of social organisation, both for trade unions and for the welfare state — "more decentralised, more flexible, more really oriented to the needs of the people"; and it has to make environmental policy a central theme of its political message, recognising that industrial and technological development have negative as well as positive effects, and that "all these problems which are connected with environmental health, and human working conditions... it's not three issues, it's one issue."

Mr Gerhard Schroeder, the



SPD leader in Lower Saxony who narrowly missed wresting control of that Land from the Christian Democrats last summer, puts even more emphasis on this point. If Socialism for him means "the possibility to realise freedom in society," he thinks that what is at stake here is essentially a matter of overcoming the oppression of man by man, today the crucial issue is "the oppression of nature by man," and this is more difficult for a democratic socialist party to deal with.

In the old days, he explains, "on one side was the oppressed people, on the other the oppressor, and you could organise the oppressed people according to their interest to overcome the oppressor." But it is not so easy to convince these same people "that the other aim, to overcome the oppression of nature by those people," is as important as the first. "The problem is that the people who fight together against oppression of man by man have not the same interest to fight against oppression of nature, because they know — or think they know — that to overcome oppression of nature is against their own economic interests," because they are themselves the oppressors.

If this is the main problem for all parties, but especially for all democratic socialist parties because we organise the people who fear that, by overcoming oppression of nature, their interests and their life will have to change. Or, as Mr Freimont Duve, the Hamburg publisher and somewhat untypically bohemian SPD member of parliament, puts it: "It's difficult to discuss the end of the world with workers who fear the end of their factory."

Yet it seems almost an article

of faith with all these SPD leaders that discussion of "the end of the world" — ie disarmament and ecology — is the key to the new electorate working in hi-tech and service industries. That, of course, is because it is the Green party which is competing most successfully with the SPD for that new electorate's support.

Only a minority among the Greens actually defines itself as "eco-socialist," but the feeling in the SPD is that the Greens really belong within the socialist movement and that their presence as a separate party in the Bundestag, since 1983, represents a defeat for

It's difficult to discuss the end of the world with workers who fear the end of their factory

that movement. This is blamed on the intransigence of its more traditional organisations — and of the SPD in government during the 1970s — to the ecological dimension of politics which so preoccupied the new generation and the new class.

In France by contrast, for reasons that have yet to be adequately explained, the ecological movement which was active and influential in the 1970s has all but disappeared since the left came to power in 1981, with the result that while

the environment receives lip-service in French Socialist manifestos, it is certainly not regarded as a central feature of socialism. Nor is it in Britain, though the pressure on all parties here to take it into account is certainly greater than in France.

In both Britain and France, the main challenge to socialism is social, rather than ecological, and its greatest weakness lies in its apparent inability to promise credibly to do away with mass unemployment. But common to all three countries is the dilemma of seeking to attract a new class of voter while keeping faith with the traditional grassroots; and of identifying with the aspirations of the two-thirds of the population who are growing more prosperous without abandoning the one-third which is falling behind.

In the last resort, the only hope for a revival of socialism must lie in its ability to awaken the concern of the up-and-coming classes about the consequences for society as a whole of leaving the others too far behind. The draft programme of the SPD, which will be adopted — no doubt with some amendments — at its conference next year, for society as a whole, identifies three "fundamental values of democratic socialism": freedom, justice/equality and solidarity. The first of these, essential as it is, is hardly the exclusive property of socialists. The second is perhaps still tarred by the grey kill-joy egalitarianism which socialism has too often turned out to mean to practice. It is the last, defined by the draft as meaning "a commitment by the whole of society to 'the individual in need,' that seems to have the greatest potential as a socialist message for the 1990s.

Men and Matters

saw market capitalisation rise from £30m to around £20m at the time Norton Open took it over seven years later.

Can he do it again? "That would be rather heavy, but nice," he says. The market seemed to have taken the Phipcom rose 40 per cent following the announcement.

Bishops' move

Unlike secular Britain, the bishops are proving to be an important factor in the forthcoming Italian general election. The pressing matter in Italy is which party do the bishops wish the faithful to support in the election to be held just three days after the British have been to the polls.

For 40 years, the question has been somewhat academic. Just after the war support for the communists was a church offence punishable by excommunication. The lay parties were by definition to be avoided because of their anti-clericalism, which meant that the Christian Democrats (what's in a name?) were intended to reap the electoral harvest of clerical support.

As indeed they did and have, although the party's share of the vote has fallen from 48.5 per cent in 1948 to 32.9 per cent in the 1983 elections — a decline which owes something to the weakening of religious commitment in Italy.

Perhaps thinking that they needed to raise their voices more than in the past, the Italian bishops, in conference at the weekend, put out a declaration which experienced commentators thought more explicitly an endorsement of the Christian Democrats than any previous statement.



Urging the faithful to go out and vote, and in doing so to be loyal to the Catholic tradition of Christian commitment, could, it seemed, only be read one way.

Certainly, the other parties divined a political preference and they variously accused the church of interfering in domestic politics and of falsely allocating Christian values to just one party.

Monday appeared to bring emollient clarification when the secretary general of the conference, Monsignor Camillo Ruini, issued another statement.

The bishops, he said, had wanted "to give a hand to the country, not the Christian Democrats."

But apparently, this week was not the best time to give either. Along came yet another statement on Tuesday asserting that Monsignor Camillo had not really given any interpretation or clarification "on what the Church meant to say."

Birt's goal

John Birt, the Friday afternoon footballer who is about to become deputy director general of the BBC, is feeling some frustration about his transfer from London Weekend Television.

For almost a year Birt, director of programmes at LWT, has been chairman of the working party planning ITV's election coverage. But because of his imminent move to the BBC, Birt had to drop himself from the committee.

He will arrive at the BBC on Tuesday week, right in the middle of the campaign and too late to influence coverage.

Birt will, however, find the main combined evening news and election programmes on BBC 1 of interest. For the first time the talents of news and current affairs journalists will be combined — and creating a new directorate by combining the news and current affairs armies throughout the BBC will be Birt's main goal there.

First aid

A reader staying in a luxury hotel in Sofia, Bulgaria, recently received a note from the management, pushed under his door, which listed some rather disturbing plans concerning that day's hotel maintenance.

It concluded: "We sincerely hope that we will not cause you too much inconvenience by disconnecting the (telephone) lines, and cutting off the water supply and look forward to welcoming you to our health centre."

Observer



Quality in an age of change.

John Plender examines the structural reasons why Japan finds it difficult to respond to demands for domestic economic expansion

No amount of arm twisting will work

CALLS BY Mr James Baker, the US Treasury Secretary, for monetary and fiscal expansion in Japan and West Germany have become part of the ritual of international economic diplomacy. Far less orthodox than Mr Baker's performance at this week's meeting of the Organisation for Economic Co-operation and Development in Paris was the démarche undertaken by the Japanese Government in a bid to prop up the dollar. Just before the announcement of a record April trade surplus with the US, officials asked chief executives of leading financial, trading and industrial concerns to refrain from speculative foreign exchange transactions.

Unfortunately, neither approach is likely to do much to encourage domestic expansion in Japan and to reduce the US-Japanese trade imbalance. Indeed, one of the overwhelming impressions that the foreign visitor brings back from Tokyo is that conventional monetary and fiscal tools are not, in themselves, enough to do the job and no amount of unconventional arm-twisting and jawboning will prevent a dollar decline if that is what the market wants.

The real key lies in structural reform to correct Japan's savings-investment imbalance, which is the counterpart of the trade surplus. Yet this cannot be done unless Japan recognises its wider international responsibilities. As the world's biggest creditor nation, with external assets that will top \$300bn this year, it has to open up its domestic markets and must ultimately be prepared to run a trade deficit if its debtors are to service their debts.

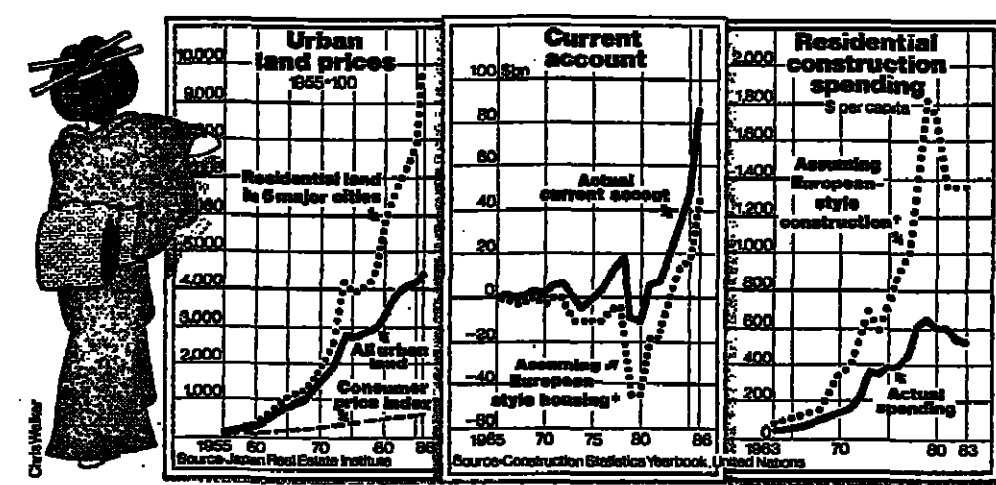
Mr Yasuhiro Nakasone, the Prime Minister's, recent com-

mitment in Washington to export \$300bn to indebted countries in the Third World implies partial acceptance of a wider Japanese role. But only partial. Even at the very highest level in the Ministry of Finance visiting journalists are assured that Japan will need to run a trade surplus in the 1990s. With the US cutting back its deficit, however slowly, who will be prepared to run the counterpart deficits to the Japanese surplus?

Mr Yoshio Sasaki, president of the Institute for Monetary and Economic Studies of the Bank of Japan, says he expects the deficit to be spread mainly between the US and less developed countries in the Pacific such as Singapore, Malaysia, Hong Kong and China. Yet this hardly seems plausible. The successful newly industrialising countries in the Pacific show every inclination to follow Japan's mercantilist example in running trade surpluses. And the prospect of China, with its desperately under-developed economic infrastructure, becoming a significant capital importer is disturbing — a point that appears to be understood in Peking.

The chief obstacle to a conventional fiscal stimulus measure lies in distortions in the property market, which is experiencing an even bigger speculative bubble than the stock market. This has rightly been identified in successive reports by Mr Nakasone, a former governor of the Bank of Japan, as an overwhelming cause of the domestic imbalance between savings and investment.

Tight planning controls and heavy taxes on land sales in Tokyo's very fragmented mar-



* Residential construction only: considers only direct impact of additional construction spending
† Actual residential floor space constructed in Japan multiplied by West German residential construction costs per sq m

ket to as much as \$300,000 a square metre; site assembly for an efficient multi-storey office development can take up to 20 years for any developer who can be bothered to try. The Japanese people, in the meantime, are forced to save excessively, to invest in poor-quality housing which is cramped as to constrain their ability to buy consumer goods.

One implication is that any attempt at fiscal stimulus through investment in infrastructure does more to redistribute wealth than to increase demand, because more than 90 per cent of the expenditure goes on land purchase. Another is that greater efficiency in land use could dramatically transform the potential for domestic economic growth.

Mr Richard Koo, of Nomura Research Institute, has used UN construction statistics to calculate the effect of applying European construction standards to Japanese residential floorspace. He concludes that residential construction spending would have been more than double over the past 20 years and that Japan would not have moved into current-account surplus until 1984 if flimsy Japanese homes with an average life of 25 years had been replaced by West German-style building standards. This swap would also have provided an enormous domestic investment outlet for the growing savings mountain.

A similar impulse to domestic growth could be delivered if the Government were prepared to address another aspect of the land problem — agricultural protection. As US politicians quite reasonably point out, grossly inefficient Japanese rice farmers occupy disproportionate amount of the non-mountainous areas of Japan and sell their

produce to domestic consumers at up to eight times the world market price. Yet there is little prospect of liberalisation because farmers are part of the bedrock of the ruling Liberal Democratic Party's support. Nor can urban land be liberalised without inflicting heavy financial losses on much of the population both directly and through the stock market where share prices rely partly on inflated land values for support.

At the OECD meeting this week Mr Mitsuki Kato, the Japanese Agriculture Minister, was brusque and predictably emphasising his Government's worries about increasing its reliance on imported food. That, together with Mr Nakasone's recent defeat in parliament over sales tax, is a powerful indication of the obstacles to structural reform.

We have, in other words, reached the limits of economic interdependence. Interest group politics in Japan have paralysed attempts to cope with the imbalance of savings and investment. On the American side, President Reagan is unwilling to address an equal and opposite imbalance by raising taxes to cut the US budget deficit. Home-buyers in Iowa no more know that they owe their cheap mortgages to Japanese savers than the Osaka factory-hand realises that Japan is more vulnerable in a trade war than the US.

With the benefit of hindsight, the liberalisation of capital flows in the present economic cycle has been instrumental in permitting the two largest economies in the free world to defer confronting their problems. The trade-off was between lower interest rates in the US and higher export earnings in Japan, between oriental thrift

and the western urge to consume. As with the very similar process of bank intermediation between oil producers and consumers after the oil price shock in the 1970s, there is a hangover after the party. The US/Japanese imbalances on both current and capital account have reached unmanageable proportions.

For the moment the ageing Japanese population, together with the sagging growth rate, will ensure that savings will continue to pile up and look for outlets overseas. The only capital market that can absorb this enormous flow without difficulty is that of the US, which is why Japanese were reluctantly tempted into US Treasury bonds last week, despite their earlier losses.

In the absence of structural reforms, the savings investment imbalance will not go away. Hence the growing suspicion among economists that there is little alternative to further US protectionism and a further appreciation of the yen. Neither will cure the trade surplus. But they could administer a powerful external shock to the Japanese political and economic structure, without which it is hard to see the emergence of a consensus for change.

A stock market crash in Tokyo in response to corporate bankruptcies induced by a higher yen, would be painful. Capital mobility would also ensure that the backwash was felt around the world. But a shock of this kind may yet prove to be in the longer-term Japanese interest, as well as that of the rest of the world. For if anything is clear, after the huge losses that the US has imposed on Japanese savers over the past two years, it is that the US has no great urge to stomp up for Japanese pensions in the 21st century.

UK employment

Too much pessimism about the market

By Lord Young

MOST people would agree that the simple definition of an improving employment scene is more jobs. Others prefer fewer people unemployed. But outside both of these definitions, lie a variety of other indicators. There has been a lively correspondence in the Financial Times about both the definition of an "improving employment scene" and how that scene has changed.

The definition preferred by Professor Layard, and apparently by Samuel Brittan too, is the number of jobs as a percentage of the population of working age.

Now that is a rather odd definition as there is no real link between the two: the proportion of the people of working age who want a job varies from time to time. This is called the activity rate. It is possible to have a constant population of working age but a higher or lower number actually seeking job opportunities due to changes in activity rates.

But the indicator preferred by Professor Layard is further confused since increasing the population of working age can, by itself, adversely affect the employment scene. The US has shown that a flexible economy with low unionisation can absorb a large increase in population of working age. But that simply did not happen in the inflexible economies with high unionisation of Britain and Europe. Between 1979 and 1987 the UK population of working age rose by 1.1m. That

increase became reflected in our unemployment figures. Professor Layard used his preferred definition with the recent employment statistics to conclude that "performance of the job market looks pretty dismal" (FT February 11) and that we have "static employment opportunities" (FT April 11). I suspect that, for once, the politician in him got the upper hand, for his assessment of recent changes in the labour market is far too pessimistic. He took small movements in incomplete and provisional information and made a wrong assessment.

The table below summarises all the key facts about the labour market during 1986. The employment figures have been revised since Professor Layard's original article and the latest figures show:

● Employment has risen, especially in the second half of the year when the total number of jobs increased by 144,000.

● Unemployment has fallen, with the rise in the first half of the year being more than offset by the substantial fall of around 100,000 in the second half.

● Even on the indicator preferred by Professor Layard — the employed as a percentage of population of working age — there has been an improvement over the year. True, it is not a huge improvement because the population of working age continues to rise, but it exists.

● In the second half of the year, the two-year Youth Training Scheme (YTS) developed, there have been an increasing num-

ber of trainees, most of whom are not counted as employees. If, as we should, we were to add in these trainees to the calculation of people employed as a percentage of the population of working age we would have an even better picture. The most straightforward indicator still remains the total number of people unemployed. The general accuracy of our monthly count of the unemployed is confirmed by the annual Labour Force Survey which shows that, if anything, the monthly count overstates unemployment.

The overwhelming reason for the fall in unemployment since the middle of last year has been an increase in employment and the figures show that. The increased uptake of YTS trainees has developed may also have contributed. I hope that our Restart programme will also continue to help in channelling long-term unemployed people towards the labour market. This is confirmed by indications that long-term unemployment was falling in the second half of the year.

All these figures cover only 1986, but unemployment has continued to fall substantially in every month during 1987. It has now fallen for each of the last 10 months and is down by about 200,000. Of course we all want to see that fall continue. But attempts to deride that success through using odd definitions based on out-of-date information do nothing to help. The author is Secretary of State for Employment.

UK EMPLOYMENT*

	Employees	Total employed labour force	Unemployed (excl. school leavers)	YTS non-employee trainees	Pop. of working age**
Dec 85	21,869	23,951	3,013	253	33,616
Dec 86	21,098	23,986	3,093	248	33,891
Dec 86	21,192	24,130	2,992	285	33,979
Change first half 1986	+29	+35	-80	-5	+75
Change second half 1986	+94	+144	-101	-47	+88

	Employees % population of working age	Total Employees	Employed plus YTS non-employee trainees
Dec 85	62.30	70.63	71.58
Dec 86	62.25	70.77	71.51
Dec 86	62.27	71.01	71.88

* Thousands, seasonally adjusted (except YTS non-trainee figures which are not seasonally adjusted).
** Based on estimates for June 1985 and projections for June 1986 and 1987.

Can America make it?

From Mr H. Shutt

Sir—Many readers must be perplexed by the appearance of your new series of articles "Can America make it?", depicting "Our country as an economic dinosaur facing imminent extinction. Can this be the same America, they are doubtless wondering, which a short time ago was being extolled by Mrs Thatcher and Mr Lawson as a paragon of economic dynamism which we must strive to emulate?

If it is true, as suggested in the first article (May 11), that much of US manufacturing industry has failed to respond to international competition or to invest sufficiently in new technology, what price the famed entrepreneurial spirit or the market disciplines enforced by corporate raiders? And should we really be seeking to follow a model whose vaunted success in creating jobs has only been achieved at the price of stagnating productivity and falling living standards?

For those who have been studying comparative trends over the years a more intriguing question is how it has been possible to sustain the myth of American economic strength for so long. The fact is that productivity in the US has consistently grown more slowly than in the rest of the OECD for at least the last 25 years and its lack of competitiveness was a major factor behind the collapse of the 1970s. Yet now that the reality has become inescapable, we surely need to ask whether there may not be some connection between the economic decline of the US — and of its chief rival in industrial efficiency, the UK — and the fact that these are the two countries where finance capital enjoys least restriction on its activities and where consequently managerial thinking is dominated by speculation, asset stripping and chronic short-termism — in contrast to approach of Japan, South Korea and much of Continental Europe.

If your series can focus on such questions (however unpleasant the answers) rather than pander to delusions about "enemies within" it will have served a valuable purpose.

Harry Shutt, The Grange, Hillside, Horsham, Sussex.

Life assurance companies

Sir—It is to be hoped that the views expressed by the chief general manager of the Sun Alliance Insurance Group (May 12) are not widely held in the industry.

Letters to the Editor

Of course life assurance is a long-term business, and for that reason policyholders need special protection, which is provided by statute, notably in the form of the appointment of an independent actuary, and in restricting the activities in which a life company may engage. But that does not make directors of a life office "in effect trustees for their captive policyholders" (whose status is that of creditors, with or without a right of participating in profits), and still less does it make life companies "improper targets for disputed takeover bids." The policyholders of Eagle Star (of whom I am one, as well as being a former shareholder) have not suffered from its disputed takeover by BAT Industries, and Mr Bowler may have forgotten that in 1985 Sun Life made a successful offer for the shares of London Assurance.

The fact that Sun Life has been a satisfactory investment for Sun Alliance ought to be the primary, not "an additional" reason for Mr Bowler's support. The preservation of the status quo as an end in itself is apt to preserve inefficiency as well as loss.

7 New Square, Lincoln's Inn, WC2

Talking down to the natives

From Mr P. Wood

Sir—Talking down to the natives has been a pastime in England (my experience of Wales is limited) for as long as I can remember. The assumption that manual workers or even foremen, as in the advertisement (May 14) by the Geoffrey Morley pension fund, have limited horizons and no contact with the sort of information possessed by a matter of routine by your readers and by Morley's managers may be factually correct but the very assumption is a serious reflection on industrial relations and on the company management to which the advertisement is appealing.

Down here, of course, our natives do indeed lack an acquaintance with pension funds, with supply-side economics, with Proust and the better sort of claret, but they very hard at least six days a week for long hours, taking short lunch breaks, helping the community and the Church and making shrewd, pithy comments

which the rest of us can use for life-guidance. This who talk down to them for too long are, in true Cambridge style, removed from their posts.

Peter Wood, Newbold Farm, Dunstable, Beds.

Privatising electricity

From Mr R. Brown

Sir—If Mr Henney (May 1) is seeking better-founded facts than his own, he might start by examining the National Utility Services (NUS) survey statistics published in your newspaper on April 30. Despite Mr Henney's statement that Virginia Power (a typical US utility) has access to fossil fuel at about 80 per cent of the price paid by CEGB, NUS figures indicate that US industry pays 6 per cent more for its electricity (some 80 per cent of which comes from investor-owned utilities) than the UK, with West German industry paying some 53 per cent more.

Mr Henney's vision is apparently for a privatised ESI (electricity supply industry) where, to a relative stability, export substitution would provide access to cheaper fuel (with the loss of all but a handful of existing coal mines) and cheaper plant (with the demise of the remaining UK power plant manufacturers) and create a deteriorating balance of payments position. To increase trading profit further still, it would appear that he proposes a reduction in staff and salaries (especially engineers' salaries) notwithstanding the fact that staffing costs account for only some 10 per cent of total costs in an organisation such as CEGB. Presumably Mr Henney has no qualms over employing an inadequate complement of staff of below-average ability and experience as custodians of the ESI's assets of some \$36bn and is equally unconcerned about sacrificing safety and reliability on behalf of unwitting consumers.

Mr Henney is adept at pointing up the disadvantages in position in which electric utilities in Germany, New York and Japan can find themselves in international comparisons, but ignores parallel disadvantages facing the ESI which include the internal generation (from customer receipts) of its capital investment requirements and its

negative external financing. I negative external financing limit planned to be \$1.4bn for 1986-87.

No attempt is made to identify any benefits to UK Ltd or the consumer that might result from privatisation, and one is left to conclude that the principal purpose was to be motivated by notions of windfall profits, private gain at the expense of public service, and party dogma.

R. Brown, 11, Stanhope Gdns, N4.

Local authority borrowing

From the Leader of the Opposition, London Borough of Hammersmith and Fulham

Sir—Both Gordon Prentice (May 12) and Simon Knott (April 30) have misrepresented the points I made in my letter of April 24. The elected council in 1980 will be facing a financial abyss created by this extreme Left-wing council, which is bent on a policy of creating a cash crisis—in my view another word for bankruptcy.

The starting point for the council at that time was that, in order to slash the frightening bureaucracy that has been created, but even after that there will be insufficient resources to meet all commitments. For example, almost all our capital allocation will be taken up funding the debt it has created, leaving nothing for vital housing improvements, since the \$100m deferred purchase money will have been used up.

At that stage the councillors will have to decide between neglecting their statutory duties to the citizens of the borough, or to pay back the horrendous debts incurred.

Let me illustrate the magnitude of the problem by pointing out that this year the council has increased the borough rate by 127 per cent, and a further rise of at least this amount is already committed next year, unless we are rate-capped. This administration will continue along such a path, or by an financial means that anyone can devise, to spend, spend, spend until 1990.

My original letter sought to point out that no system of local government finance can be made to work when elected members deliberately set out to ignore ideas about sound financial management too often clouded by a static view of politics.

What is, however, unforgivable is for banks to aid and abet such local authorities to carry out such unsound financial policies and they will only have themselves to blame for the inevitable consequences. (Councillor) Peter Princes, Town Hall, King Street, W6.

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State of emergency declared after Fiji coup

BY ROBIN PAULEY, ASIA EDITOR, IN LONDON

A STATE of emergency was declared in the Pacific island of Fiji by the Governor General last night following a bloodless coup led by the Fiji Army's third ranking commander.

Australia, New Zealand, India and Britain led a wave of international protests against the coup, the first time in the South Pacific region that a democratically elected government has been overthrown by the military.

Mr David Lange, Prime Minister of New Zealand, said he did not rule out a regional response to any call for help from Fiji's legitimate leaders. Mr Bob Hawke, Australia's Prime Minister, said his country would not intervene militarily at this stage.

Brig Epeli Nailatikau, the Fiji Army chief, and his deputy were in Australia when the coup occurred. They rejected the idea of outside military intervention.

Brig Nailatikau said he was still commander in chief and would return to Fiji as soon as possible. However, the coup leader, Lt Col Sitiveni Rabuka, said he had sacked his superiors, made the Governor General redundant, reshuffled the police force and assumed the role of both army chief and acting head of state until he could appoint a council of ministers. New elections would be called later.

Lt Col Rabuka and 10 hooded soldiers had stormed the parliament building and arrested Dr Timoci Bavadra, the Prime Minister, and his predominantly Indian Cabinet. They were bundled, unharmed, into trucks and driven to an army camp as Lt Col Rabuka suspended the Constitution.

Control of executive power became less clear, however, yesterday when Ratu Sir Penaia Ganilau, the Governor General of the former British colony, which gained independence in 1970, found a way to speak directly to the nation. He said in a broadcast on a commercial radio station that, as the representative of the Head of State, Queen Elizabeth, he had assumed executive power "in the temporary absence of ministers of the Crown".

Chris Sherwell looks at the dangers and opportunities presented by yesterday's military uprising

Falling into the Third World trap

YESTERDAY'S bloodless army coup in the South Pacific island state of Fiji, the first successful military overthrow of an elected government in the region, is the start of a journey down an uncertain and potentially tragic road.

It is also the unexpected climax to a series of events which, although beginning with the election four weeks ago, have their origins in 96 years of British colonial rule and 17 of independence.

If there is much about Fiji which is unique, there is also much that is familiar to historians of African and Asian Third World countries. ● its 720,000 population spread across 100 attractive islands is over-dependent on a single crop, in this case sugar, and on tourism; suffers from a weak infrastructure and young institutions.

● the country has an inflammable mix of two races, indigenous Melanesian Fijians and long-resident migrant Indians, with the latter in a small majority.

● its political and social system has tended to favour the tribalised Fijians and leave the Indians, despite their superior economic power, feeling as if they are second-class citizens.

● its neighbourhood has become the target of intensified superpower and regional power rivalries. Apart from the US, Australia and New

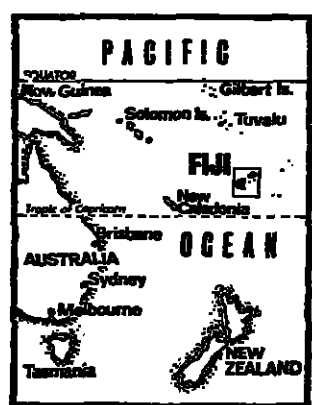
Zealand, all of which have long been active, the Soviet Union has displayed a re-awakened interest. France is vociferously defending its colonial presence; and Libya has recently entered the fray.

All this means there is cause for hope as well as worry. Hope, because Fiji's Westminster-style democratic system and its professional army may have some roots. Worry, because of the threat which a coup poses to regional security as well as domestic business investment and tourist arrivals.

Although the first Europeans arrived in Fiji in the early 1800s, it was not until 1858 that Britain placed a consul in the country and 1874 that Britain became the colonial power. Thereafter it did not take long for the sugar industry to become established and for Indian migrant workers to be brought in.

When the country became independent in 1970, Ratu Sir Kamisese Mara, the Chief Minister, became Prime Minister, a position he continued to hold until last month when his ruling Alliance Party was defeated in the election.

It was the fourth poll since independence. In each case the Alliance had taken on the Indian-dominated National Federation Party and ended up forming the Government - in 1977, a minority government which lasted only six months.



Last month, the National Federation Party ran with the new trade union-linked Labour Party in an unusual multi-racial coalition. At the end of the customarily lengthy election and counting process, it emerged with 28 of the 52 seats.

This promised to be more than just the first multi-racial government. It would be the first with a majority of Indians in it; it would be supported by the union movement - most intriguing of all, internationally - it would be committed to a non-aligned foreign policy.

In particular, the new Government said it was anti-nuclear. It supported the idea of nuclear-free zones, and its stated intention was to follow New Zealand and operate

a ban on port visits by nuclear-armed or nuclear-powered ships.

This represented a radical departure from the pro-Western stance of Ratu Mara, and prompted serious worries in London and Washington.

Rightly or wrongly, Sir Geoffrey Howe, the UK Foreign Secretary, chose not to make direct contact with the new leadership on his way back from Australia and New Zealand last month, even though he made a rebelling stop there. It was said to be too soon for such a visit - the new Government had not settled down.

Gen Vernon Walters, the much-travelled US Ambassador to the United Nations, on the other hand, made a highly publicised stop in Fiji during his recent tour around the region, and delivered the now familiar reminder that US policy was not to reveal details about its naval ships.

Inevitably, speculation about causes of the coup have embraced all possibilities, including US, Soviet and Libyan involvement. But most theories have tended to focus on the internal situation in Fiji since the election.

Despite repeated assurances by Dr Timoci Bavadra, the new Prime Minister and himself a Fijian, concern about loss of power and influence boiled over into peaceful but unprecedented street protests

in the last week of April.

Since then, a former cabinet minister has been charged with sedition and released on bail, and a senator has appeared in court in connection with arson attacks on offices used by a new minister.

Embarrassingly, further demonstrations delayed a swearing-in ceremony and the governor-general's speech at the opening of the new Parliament.

It seemed increasingly plausible that the protest and demonstrations might be escalated until the military was asked to help keep law and order. This would put the army, 95 per cent Fijian, in a difficult position.

Lt-Col Sitiveni Rabuka, who led yesterday's intervention while his senior commanders were out of the country, alluded to just this possibility in explaining his action.

"After monitoring events of the past few weeks," he said, "and with information about planned activities of certain groups in the community, I believe it was in the national interest."

Ratu Mara has been curiously silent throughout all these events. Last night, where he stood - and more importantly, where the armed forces chiefs, the governor-general and the British Government stood - assumed critical importance to Fiji's future.

THE LEX COLUMN Sisters, but not twins

It is strange that as Shell and BP appear to be moving in opposite directions strategically, the rating of their shares has most spectacularly converged. On most assumptions of dividend growth this year, the yield on BP shares is about 4.9 per cent, with Shell only marginally dearer at 4.8 per cent.

While BP has certainly made tremendous improvements to its downstream operations, even the company itself conceded yesterday that it was not yet a complete match for Shell in refining efficiency. And, although the \$7.5m standard Oil acquisition appears to make excellent sense, BP is now about 50 per cent geared whereas Shell, having repaid £1.2m of debt in the first quarter, has a completely clean balance sheet.

Further ahead, while Standard deal will give BP fall, and tax efficient, access to a stupendous stream of hydrocarbons, it does nothing to fill the reserve gap in the 1990s.

Difficult as it may now be to comprehend, the purchase of the Standard Oil minority may just be a deal which is designed as the fulcrum for some more far-reaching acquisition.

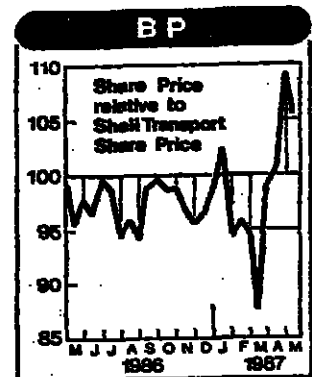
It is almost spine-tingling to contemplate Shell's capacity to gear up. For Shell's balance sheet to take on the gearing now tolerated by BP would require an acquisition of \$25bn. That is not an idle concept, particularly as Shell is not intending to follow the path chosen by Exxon of shrinking through a programme of purchasing its own shares.

Such gigantic manoeuvres were not much on the stock market's mind yesterday. It was just going about the sensible business of responding to some very respectable first-quarter figures from the European branch of the Seven Sisters.

The results, to the extent that they are comparable, are remarkably symmetrical. BP's replacement cost net profits were down 56 per cent, Shell's by 54 per cent. Yet, while Shell's share price gained 2 per cent to £134, BP's jumped 4 per cent to 356p. When you're hot, you're hot.

Inner profits

A tantalising glimpse into the true profitability of London merchant banks is offered by the Bank of



England's annual report. As seen in the banking returns, the accepting houses were making a pre-tax return on total equity of just under 25 per cent in 1985 - up from 20 per cent in 1984 - and since revenues increased by at least 30 per cent in 1986, that figure was probably still improving as the Titanic sailed towards Big Bang.

Grand Metropolitan

Having spent some years in a perhaps too enthusiastic pursuit of acquisitions, supposedly, though not always apparently strategic, Grand Metropolitan is now set on the task of actually managing them. At the same time the latest deals, notably Heublein, show a welcome determination to buy businesses which more obviously add to its strengths.

If the new (mostly promoted) management can sort out the black spots while the profits come through from the other purchases, the outlook for profits growth is distinctly pleasing. Failing that, some more sales can be expected.

Yesterday's interim results do bear witness to some good work already done, if hidden in an 11 per cent rise to pre-tax profits of £212.8m. Growth in the UK and in those US businesses regarded as continuing has been more than adequate, while wines and spirits clearly had an outstanding half after the tough times of last year.

Frightened tourists cannot bear the whole blame for difficulties in the hotels, currently employing some of the GrandMet trouble shooters.

Parts of the US consumer activities still sit oddly within the group and it may not be that long before

another follows the exercise machine company - not so long ago considered to be in such an attractive market.

The main short-term concern is that even if GrandMet gets its lines right, the dollar will hinder profits while the rising tax charge slows earnings growth. If a 4 cent adverse move in the first half cost £8.8m, the larger fall in the dollar since must hit the second half even worse.

Heublein will more than pay its dollar-denominated interest charge, though, and pre-tax profits, including property, should top £440m (£367.7m). A prospective multiple a touch over 14, with the shares up 5p to 528p, is not asking too much of anybody.

Saatchi & Saatchi

Saatchi & Saatchi shares have struggled so hard to recover from last year's ultra-heavy rights issue that thoughts of a repeat performance must be the last thing on any Saatchi's mind. So it was particularly unfortunate for the analysts to come back from yesterday's results briefing convinced that another dividend for equity was about to be unleashed.

Given the perfectly respectable degree to which earnings growth had outpaced the increasing number of shares in issue - by a bit more than market expectation, in fact - it seemed a perverse reaction to go home and sell the shares down 5 per cent, to 624p. After all, Saatchi has not only persuaded the acquisition arithmetic to work, but shown a significant margin improvement across the group, not all of it attributable to the inclusion of some new businesses with higher margins than the old.

Though there is a sense of unresolved questions hanging around Saatchi - is it going to merge any of its agencies, can it get its consultancy business up to the scale achieved in communications? - nothing about yesterday's results did anything to lighten those particular uncertainties. But the statement was longer on breadth and brilliance than it was on detailed information. And the market's dread of rights is right about one thing: Saatchi's balance sheet, nowadays denuded of goodwill, remains chronically short of equity.

Politburo official addresses Moscow demo

BY PATRICK COCKBURN IN MOSCOW

AN UNPRECEDENTED demonstration by 400 people in central Moscow was addressed for two hours by Mr Boris Yeltsin head of the Moscow Communist Party, who reassured demonstrators that promised reforms and changed would be carried out.

Details of the incident, which happened last week, have just been announced.

The significance of the demonstration is that this is the first time in 80 years in the Soviet Union that such an unauthorised gathering has not only been allowed to take place but has also succeeded in persuading a senior official such as Mr Yeltsin - who is a non-voting member of the Politburo - to address them.

Carrying banners with slogans such as "we demand a meeting with Gorbachev and Yeltsin" and "Down with the saboteurs of reconstruction" the demonstrators marched to

the Moscow Soviet of People's Deputies where Mr Yeltsin agreed to see them.

The marchers belonged to a group called "Memory" which, according to the first full account of the demonstration in this week's Moscow News, is an organisation set up by its members to preserve old buildings in Moscow and support Mr Gorbachev's reform.

The new paper criticises the group for its intolerant Russian nationalism and tendency to denounce opponents as "agents of the CIA". The occasion for the demonstration was a rumour that building work had restarted on a vast monument commemorating the Soviet victory in the Second World War near central Moscow. This was officially dropped by the Politburo last August after much public opposition on the grounds that the proposed monument was hideous.

Patriotic and environmentalist sentiment in the capital were both outraged by the monument because the builders had bulldozed Poklonnaya Hill, a place famous in Russian history as the site where Napoleon waited in vain in 1812 to receive the keys of Moscow.

Mr Yeltsin reassured the demonstrators that work had really stopped on the monument and said cranes on the site would be taken away. Answering questions about the progress of reform, he said that 40 per cent of the ruling Communist Party Central Committee for Moscow City were changed last year.

He said the reason for the shortage of houses, consumer goods, transport and health facilities in the capital was that the population of the city (about 9m) was 1.1m more than planned for 1990. In addition, 3m extra people a day visit Moscow in summer and 2m in winter to buy goods in the capital's shops.

During Mr Leonid Brezhnev's 18 years as Soviet leader, facilities in Moscow deteriorated and the city's administration, headed by Mr Viktor Grishin, became a byword for corruption and inefficiency.

Many officials have been dismissed by Mr Yeltsin since he was appointed to clean up the city in 1985, but he admits that improvements have been slow.

On protecting old Moscow, Mr Yeltsin said that 9,500 buildings were now the subject of preservation orders including 1,000 which were in urgent need of restoration. He also said there was no settled procedure for Communist Party leaders to meet pressure groups but added that in the past there had also been no tradition of meeting with press and television but this had been changed.

BAe to get £450m aid for Airbus

By Lynton McLain in London

BRITISH AEROSPACE yesterday declared itself "well satisfied" with a UK Government decision to provide £450m (£751m) in launch aid towards its part in the development of the next generation of Airbus Industrie airliners.

BAe had originally sought £750m for its participation in the intercontinental A340 and the medium range A330 projects.

Britain has become the first government to decide on launch aid requests from the Airbus Industrie consortium members - Aerospatiale of France, Messerschmitt-Bölkow Blohm of Germany, Airbus subsidiary, each with 37.9 per cent, BAe with 20 per cent and CASA of Spain with 4.3 per cent.

Announcing the decision in the House of Commons yesterday, Mr Paul Channon, Trade and Industry Secretary, said: "At this stage, our support is conditional upon our partner governments also making the arrangements that are necessary to enable their manufacturers to participate in the project."

Full support from the West German Government looks in doubt. Mr Gerhard Stoltenberg, the West German Finance Minister, said last night the DM 75m (\$9.9m) being sought by Deutsche Airbus to resolve a number of problems was "too much."

The West German Government has given general political backing to the idea of widening the Airbus airliner family, but the Finance Ministry and the Economics Ministry, responsible for aerospace, have been trying hard recently to increase the share of funds put up by German industry rather than the Government.

Mr Stoltenberg said the Government wanted to strengthen the industrial base of Deutsche Airbus as a condition for contributing to the new Airbus projects.

Bonn dashes tax cut hopes

Continued from Page 1

The West German Government believes it has to make some sort of gesture - such as the statement in Paris yesterday - to parry foreign criticism of Bonn's growth policies. But in private officials declare themselves relatively satisfied with the current position.

They say they are happy that growth is still continuing, albeit at a lower level, after five years of upturn, and that inflation is still well under control.

A mood close to exasperation among Bonn policymakers about foreign calls for budgetary stimulus is shared by some key industry executives.

Scandal erupts over Brazilian railway

Continued from Page 1

per also added that every winning tender offered prices for the works at 10 per cent below the budgeted construction cost. "This demonstrates that the price established by the Government was absurdly high," the paper said.

The exposure has provoked a storm of protest in Congress and the Brazilian press, forcing President Sarney to order an immediate cancellation of the contracts, a new tendering and an inquiry.

Yesterday, front-page Transport Ministry announcements appeared in several newspapers announcing the new tender and promising severe punishments for any corrupt action by public servants was unveiled. But officials have repeatedly insisted that there was no malpractice on the part of the Transport Ministry or Valec.

The Government's conclusion is that the contractors - all blue-chip Brazilian civil engineering companies - must have formed a cartel and organised bidding to ensure that each won a slice of the cake. All have now been banned from participating in the new tender.

Specifically, Mr Francisco Cunha, engineering director of Valec, said that the company had been prepared to encounter any "cartelisation" of price tendering, but warned that it was now impossible to combat. "In the history of Brazilian heavy construction there has not been a retrospective penal action against an infractor," he said.

However, a large number of politicians and commentators are not convinced that a simple cartel of construction companies is the

whole story. There are fears, also, that the forthcoming inquiry, to be conducted by Valec, will fail to discover the complete truth.

Mr Luiz Inacio Lula da Silva, a left-wing deputy opposed to the railway, described the Valec inquiry as "putting a fox in charge of chickens to ensure their well-being."

Several deputies from the dominant Democratic Movement Party (PMDB) have called for the immediate sacking of Mr Jose Reinaldo Tavares, the Transport Minister, following the revelations.

Many politicians are continuing to challenge both the constitutional legitimacy of pressing ahead with the railway and its wisdom. Several have expressed outrage that the Government has used powerful decree law to establish the line, without allowing Congress to debate the project.

Many argue that this - the largest public works scheme for at least a decade - must be questionable when many near-bankrupt municipal and state governments are dismissing thousands of public servants, and the Federal Government has been forced to call a moratorium on its \$113bn foreign debts.

Others doubt the practicality of the railway. They point out that its course parallels the Brasilia-Belem road, and the river Tocantins - itself a long-established transport route.

Furthermore, many development planners believe that the land adjoining the planned tracks - intended to provide Brazil's new grain basket - is poor and unproductive.

The official attitude to fluctuations in the pound's value is thus asymmetrical: the authorities will resist any further appreciation while they would tolerate some - though not a substantial - fall.

The Bank, however, plans to lean against pressure for another cut in interest rates and instead aim to continue breaking sterling's rise through intervention. Apart from concerns about rapid growth in credit demand, there are uncertainties as to the extent that recent inflows into sterling may reflect short-term or "hot" money, which could quickly be moved out in the event of a political upset.

Despite the Bank's action, the

pound still closed firmer in Europe, just below DM 3.00 at DM 2.9875 compared with Wednesday's closing DM 2.9825. It also closed higher at \$1.6780 compared with Wednesday's closing \$1.6715.

The dollar came under severe pressure because of market disappointment that there had not been more of an improvement in the US trade deficit. In March, the deficit narrowed to \$13.8bn from February's \$15.1bn shortfall.

In the UK Government bond market, the Bank of England's tender of £1bn 8 per cent Treasury stock due 2002/06 appeared to have been heavily undersubscribed. All bids were allotted in full at a minimum price of 94.75 per cent.

UK moves to limit £

Continued from Page 1

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World Weather

Area	Temp	Wind	Area	Temp	Wind	Area	Temp	Wind	Area	Temp	Wind
Alaska	18	4	Delaware	14	5	Italy	21	7	Sweden	18	8
Algeria	10	8	Denmark	8	4	Japan	10	10	Switzerland	18	8
Australia	20	8	Egypt	20	8	Madagascar	21	8	Taiwan	20	8
Bahamas	24	5	France	21	7	Mexico	20	8	Thailand	28	8
Bangladesh	24	5	Germany	10	10	Nicaragua	20	8	Turkey	20	8
Barbados	24	5	Greece	12	5	Paraguay	20	8	Uganda	20	8
Belize	24	5	Honduras	22	7	Peru	20	8	USA	20	8
Bhutan	18	8	India	11	4	Poland	20	8	Venezuela	20	8
Bolivia	18	8	Indonesia	8	4	Romania	20	8			
Brazil	18	8	Japan	9	4	Saudi Arabia	20	8			
Bulgaria	18	8	Korea	25	7	Senegal	20	8			
Cameroon	18	8	Laos	24	7	Singapore	20	8			
Canada	18	8	Malaysia	24	7	Sri Lanka	20	8			
Chad	18	8	Mali	24	7	Tanzania	20	8			
China	18	8	Morocco	24	7	Togo	20	8			
Columbia	18	8	Nigeria	24	7	Tunisia	20	8			
Costa Rica	18	8	Pakistan	24	7	Turkmenistan	20	8			
Cuba	18	8	Panama	24	7	Ukraine	20	8			
Czech Rep	18	8	Paraguay	20	8	USSR	20	8			
Dominican Rep	18	8	Peru	20	8	Yemen	20	8			
Dominican Rep	18	8	Poland	20	8						
DRC	18	8	Portugal	20	8						
Ecuador	18	8	Romania	20	8						
El Salvador	18	8	Saudi Arabia	20	8						
Equatorial Guinea	18	8	Senegal	20	8						
Ethiopia	18	8	Singapore	20	8						
Ghana	18	8	Sri Lanka	20	8						
Guatemala	18	8	Tanzania	20	8						
Haiti	18	8	Togo	2							

Readings at 9:00 a.m. yesterday.

C=Cloudy D=Droizzle F=Fog P=Fog-Fly H=High L=Rain
S=Snow SH=Shower S-SH=Snow-SH=Shower T=Thunder

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Friday May 15 1987

RAZE
YOUR SITES



CONSTRUCTION EQUIPMENT

Deutsche Bank plans DM 1.2bn rights issue

BY ANDREW FISHER IN FRANKFURT

DEUTSCHE BANK, West Germany's largest bank, yesterday announced plans to raise nearly DM 1.2bn (\$670m) through a rights issue, stating also that operating profits in the first four months were down on the same period of last year.

The unexpected capital call had a dampening influence on the stock market, with the Commerzbank index losing 11.3 points to close at 1,788.3. Deutsche's own shares dropped by DM 14 to DM 624.

Shareholders will be able to subscribe for the new shares next month on a one-for-15 basis at a price of DM 450 each. The bank said it was making the issue to increase its equity basis in line with increased business.

Analysts said the market was surprised by the rights issue, coming at a time of general price weakness. One noted, however, that the actual burden on the market would be less than the full DM 1.17bn of the issue, since shareholders would be channelling back some of their dividend payments into paying for the new shares.

The statement by Mr F. Wilhelm Christians, co-chairman of the bank, that profits were down was in line with the general expectations that 1987 is proving to be a tougher year for the banks.

Mr Christians made his comments at the annual meeting yesterday in Berlin. The profit indication was made without taking ac-

count of last year's high earnings on the flotation of the former Ficht industrial empire.

Total business volume of Deutsche Bank was 7 per cent higher in the January-April period, he added. As expected, commissions from securities business and profits from own-account trading had not reached last year's high levels.

Analysts noted that the weaker state of the German stock market, influenced by the fall in the dollar which hampers exporting companies, was a key reason for generally lower bank earnings. They suggested, also, that Deutsche Bank would mainly use its rights issue proceeds in investment banking, where competition has become stiffer.

Takeover talks for First Interstate

By Roderick Oram in New York

FIRST Interstate Bancorp, which was rebuffed earlier this year in its attempt to acquire BankAmerica, is seeking control of Allied Bancshares of Houston. Heavy loan losses attributed to the energy industry recession plunged Allied, the seventh largest Texas bank holding company, into losses last year.

Both companies announced that they were holding preliminary talks but no formal agreement had been reached so far. The shares of Allied rose \$14 to \$106 on heavy trading in the over-the-counter market, capitalising the company at about \$450m.

First Interstate's shares fell \$14 to \$54, giving it a market value of \$2.5m.

Allied reported a loss of \$17.6m, or 42 cents a share for the year ended December 31, 1986, against a profit of \$117.5m, or \$2.86 a year earlier. It wrote off \$206.1m of bad loans while its assets slipped to \$3.92m from \$10.2m.

Its difficulties are continuing this year. It reported a first quarter loss of \$2.6m, or 49 cents a share, and loan write-offs of \$1.6m. Analysts believe total losses could reach \$35m, or 85 cents a share for the full year.

The company, which owns 59 small banks in the Houston area and eastern Texas, said recently that its fortunes depended on the local economic outlook. Thus, it was difficult to forecast when it could expect an upturn in its own financial performance. Non-performing loans account for about 6 per cent of assets.

It remains relatively well capitalised, however, with shareholder equity of \$582.7m at the end of the first quarter. First Interstate is the largest bank holding company in the US with some 22 banks totalling 1,000 branches in 18 states. It had total assets of \$55.4bn at the end of last year.

Dazzling UK debut for Sock Shop

By Alice Rawthorn in London

SHAREHOLDERS in Sock Shop International, the UK specialist retailing group, more than doubled their money yesterday when the shares began trading on the stock market by selling to one of the highest premiums the market has ever seen.

At the start of the day Sock Shop's shares began dealings at 265p (\$3.40) compared with the original offer price of 125p. In frenetic trading the shares rose to a peak of 290p, eventually settling down to end the day at 257p. The group is now capitalised at \$36.5m.

Through small companies like Sock Shop, in which the supply of shares is limited, often attract healthy premiums on the first day of dealings, an increase of 100 per cent is unusually high. Sock Shop can claim the highest premium of any new issue this year.

Ms Sophie Mirman, the company's chairman and joint managing director, said that she was "ecstatic" about the market's reaction to Sock Shop. "We had hoped for an opening price of 150p or, being very optimistic, 175p," she said. "But the stock market seems to have gone crazy in recent weeks and we went public at a very exciting time."

Sock Shop's prospects were undoubtedly boosted by the buoyant mood of the stock market. The FT-SE 100 index rose by 16.6 to 2,180 yesterday. But the company has also benefited from investors' enthusiasm for small, young "niche" stocks.

In the last four years, Sock Shop has established a national network of 43 shops selling socks, tights and stockings in bright colours and jolly designs. Yet its passage to the Unlisted Securities Market has been far from easy. In 1983 when Ms Mirman and Mr Richard Ross, her husband and joint managing director, attempted to raise launch capital, they could not persuade anyone in the City of London to invest \$20,000 in a 49 per cent stake in Sock Shop. That investment would now be worth £27.7m.

Bouygues eager for TV challenge

Staff and public to share 50% holding in leading French network

BY PAUL BETTS IN PARIS

THE PRIVATISATION of TF-1, the leading French national television network, is expected to be completed early in July when about 1.5m shares will be offered to the public at a price ranging between FF200 (\$33) - FF250 each. The TF-1 flotation is expected to follow the privatisation of Société Générale, the large state commercial bank, next month.

The public share offering to be launched around June 29 will involve 40 per cent of the capital of the French television network which has just come under management control of a consortium of private investors led by Bouygues, France's largest construction group.

Bouygues and its partners, including Mr Robert Maxwell, the British publisher, acquired last month for FF3.3bn a 50 per cent controlling stake in TF-1. But the French Government plans to sell the remaining 50 per cent stake for FF1.5bn to the public in general and to the network's employees. TF-1 staff will be offered 10 per cent of the network at a discount with 40 per cent being floated to the public. Bouygues officials also indicated

yesterday that they expected TF-1 to be profitable this year and that the network would pay its new shareholders a dividend. Bouygues target is to see TF-1 revenues rise to FF4.4bn in 1989 and the network's net margin to grow to 10 per cent of sales by then.

Mr Francis Bouygues, chairman of the construction group, said the TF-1 investment would help boost Bouygues total sales this year to about FF4.4bn from FF4.378bn last year when the group reported a consolidated net profit of FF481m. He said he expected group profits to continue to increase this year.

Mr Bouygues added that he was keen to develop his group's presence in the radio telephone market. This was the main reason why the construction group had taken a small stake in CGCT, the recently privatised French telecommunications concern which has come under the control of Ericsson and Matra.

Mr Bouygues confirmed that his group's offshore oil services divi-

sion had lost FF100m last year. Losses this year in this sector were expected to be reduced. However, Bouygues officials also suggested that the group was considering the possible closure of its Glasgow UIE offshore yard in view of the slump in North Sea offshore business.

The future of the Glasgow yard depends on whether it can succeed in winning two bids for offshore platform components from Conoco and Shell against extremely fierce competition. Bouygues has already sharply reduced the permanent workforce of the Glasgow yard, which now employs about 250 people.

Mr Bouygues made clear that he regarded the group's investment in TF-1 as its major new challenge. He also warned that he would riposte against Mr Robert Hersant, the French right-wing press baron, if he persisted with his current press campaign against TF-1. Mr Hersant recently took over control with Mr Silvio Berlusconi, the Italian television entrepreneur, of the French

Fifth Channel private television network and lured away some of the star variety artists of TF-1 in hostile raids.

Mr Bouygues indicated he also planned to expand his interests in broadcasting and communications, hinting that he could invest in publishing. Mr Robert Maxwell has already said he was interested in controlling a popular national daily newspaper in France. Indeed, Mr Maxwell is reported to be showing interest in possibly taking over the left-wing daily tabloid Le Matin which recently filed for bankruptcy.

Despite his recent diversification moves and acquisitions, Mr Bouygues said his group still had some FF4.4bn in liquid assets. Bouygues officials also confirmed that a number of potential buyers had approached Bouygues to acquire the group's SAUR water distribution subsidiary, offering well over FF1.5bn for the company which cost Bouygues barely FF500m. But Mr Bouygues said he had no intention either of selling the profitable water subsidiary or of seeking a bourse listing for SAUR.

BASF advances in spite of an 11% decline in sales

BY TONY JACKSON IN LONDON

BASF, the West German chemical group, had a "cold start" in 1987, but managed to increase pre-tax profits in the first quarter by 3 per cent to DM 670m, the group said.

Dr Hans Albers, BASF chairman, said the group was continuing to make good progress, despite the impediments of currency, raw material prices and the development of the economy.

The results round out the first quarter figures from the three German chemical giants, Hoechst and Bayer having reported already. As often, the three sets of results are closely in line, and all three companies have similar expectations of broadly unchanged profits for the year as a whole.

BASF's sales in the quarter slumped by 11 per cent to DM 6.9bn, on roughly unchanged volume.

The fall was caused partly by the rise of the D-Mark, but also by a 30 per cent decline in turnover at the

Wintershall oil business due to the lower oil price.

The fertiliser business, where the group has already announced impending plant closures, continued to lose money, though at a slightly reduced rate. Dr Rinaldo Schmitz, group finance director, said the business should return to the black this year at the operating level after the planned closure of two plants at Nordenham and Krefeld, though there would be net losses after closure costs.

Dr Albers said that although the full closure programme over the next few years would take out 1m tonnes of capacity, removal of bottlenecks at the group's two integrated plants at Ludwigshafen and Antwerp would add back 400,000 tonnes. The group intends eventually to confine its fertiliser production to those two sites.

In other areas of chemicals, the business continued to run at high

volume levels. Dr Albers said, with the success of high-value engineering materials being particularly gratifying. Magnetic tapes, however, "suffered from intense competition. We are not recording losses," Dr Albers said, "but we are only just in the black".

Dr Albers said sales in Japan, where the group has recently launched a number of projects, were close to DM 900m. Double-digit sales and volume increases were expected in the current year.

Dr Schmitz said the group was interested in obtaining a share listing in Tokyo, but had rejected the idea of a New York listing because of reporting requirements and the short-term view taken by US investors.

Dr Albers said US sales had increased in the quarter to \$1.1bn. "We are told never to say never, but there is nothing large in the pipeline at present".

New twist in battle for Royale Belge

By Tim Dickinson in Brussels

THE BATTLE for control of Royale Belge, took a new twist yesterday when the French company Union des Assurances de Paris (UAP) announced that it had taken a 4.5 per cent stake in Belgium's leading insurance group.

UAP's participation - made possible by the special issue of new Royale Belge shares in exchange for almost 31 per cent of UAP's Belgian subsidiary Urbaine UAP - appears to be part of a deal with Groupe Bruxelles Lambert (GBL) to fend off the aggressive challenge of another French insurance company, Axa. Axa, which had declared its ambition to expand across national boundaries to take advantage of the free internal market within Europe after 1992. First displayed a serious interest in Royale Belge about a year ago. Many observers thought that GBL, which already had links with Axa, would ultimately help the French company realise its objective but the Belgian holding group's chief executive, Mr Albert Frere, has opted instead to side with the local shareholders.

With trading in the shares consistently active - they were unchanged yesterday at Bfr 8,000 but turnover was particularly brisk - the up-to-date strength of the two camps is unclear. Axa is believed to have more than 30 per cent and possibly as much as 40 per cent while GBL's stake is thought to be around 25 per cent. An analyst with Brussels stockbroker De Waele commented: "We are very close to the end of this affair. The final result should be known at the annual meeting at the end of this month."

UAP yesterday announced provisional consolidated net profits of FF2.2bn last year, against FF1.7bn in 1985, a dividend up from FF1.31 to FF1.60 in the same period.

Reduced loss shown by Sea Containers

BY KEVIN BROWN, TRANSPORT CORRESPONDENT IN LONDON

SEA CONTAINERS, the Bermuda-registered container leasing, ports and ferries group, yesterday announced first quarter losses of \$12.9m or \$1.87 a share, down from a deficit of \$22.1m or \$2.37 a year earlier.

The latest result was much as forecast. Mr James Sherwood, president, had forecast the group would improve earnings by around \$19m in the first quarter.

Revenues rose from \$112.4m to \$121.6m. Quarterly dividends were suspended last year in a move intended to save the group around \$1m per quarter.

Sea Containers lost \$49.9m or \$4.28 per share last year following major losses in container leasing and ferry operations. Mr Sherwood says in the annual report, however, that both divisions are expected to report improved results in the current year.

In the container division, which suffered from poor rates and widespread customer defaults, overheads have been cut, loss-making services discontinued, older units removed and equipment ordering moderated, he says.

Stefanel sees its profit more than doubled

BY ALAN FRIEDMAN IN MILAN

STEFANEL, the Italian casual clothes producer which is a smaller scale version of the Benetton success story, more than doubled its 1986 net profit, to L27.5m (\$21.2m). At the consolidated group level, the result was marginally higher.

The company, which with 1986 consolidated group revenues of L172.3bn (\$132.9m) is about one-sixth the size of Benetton, is owned by the Stefanel family. It was founded in 1959.

Stefanel is planning to float around 25 per cent of its shares on the Milan bourse during the next few months. The board was finalising details of the offer yesterday. A substantial portion is likely to be of-

fered to investors outside Italy.

Stefanel has around 550 franchised outlets in Italy and a further 150 abroad. The company is forecasting a 1987 group net profit of around L36m on sales of L220m.

The company employs 467 full-time staff and most of its work on sweaters, jeans and other casual wear is farmed out to around 2,000 outside pieceworkers. This manufacturing method, the overall franchising strategy and even the plan to come to the stockmarket are all similar to the pattern already established by Benetton. The difference, the clothing manufacturer claims, is that it aspires to add more of a fashion touch to its products.

Record German management buyout

By Andrew Fisher in Frankfurt

WEST GERMANY'S largest management buy-out, worth about DM 100m (\$58m) and involving the European machine tool division of Ex-Cell-O of the US, has been completed by the Hamburg-based operation of J. Henry Schroder Wagg, the UK merchant bank.

The deal is the second carried out in West Germany since it set up its DM 140m Schroder German Buy-Out Fund late last year. Its first deal was less than DM 20m and involved a cosmetics company.

Management buy-outs are still in their infancy in West Germany, although they are gaining growing attention among banks and industry. Funds for Schroder's German operation have come from US and European investors.

The buy-out of the Ex-Cell-O division from its US parent, Textron, was financed by bank borrowing and by equity from Schroder's German and UK buy-out funds.

Pharmacia earnings hit by exchange rate

BY SARA WEBB IN STOCKHOLM

PHARMACIA, the Swedish biotechnology and pharmaceuticals group, said its first quarter profits were held in check by exchange rate fluctuations, the cost of integrating recent acquisitions, and the losses incurred by LKB, the chemicals and instruments concern it took over last autumn.

However, it repeated its earlier forecast of full-year profits (after financial items) of about SKr 1bn (\$180m) on sales of over SKr 6bn.

First quarter profits (after financial items) were virtually unchanged compared to last year at SKr 205m, though sales increased by 58 per cent to SKr 1,372m, against SKr 869m in the first quarter of 1985.

The falling dollar badly affected the group, though the effects are expected to wane over the year. Sales in the ophthalmics division were seriously affected by the lower dollar,

though strong sales growth in Japan and Europe helped to compensate for this and the division showed a 33 per cent increase in sales to SKr 216.4m.

Pharmacia said that LKB usually makes losses in the first part of the year because most of its public sector customers tend to make capital purchases at the end of the calendar year. However, it has intensified its efforts to integrate LKB and said that positive effects should start to show up by the end of 1987.

Pharmacia made a number of acquisitions last year which led to a fall in net interest income.

Sales in the biotechnology division increased by 64 per cent to SKr 386.5m with a strong growth in sales of the recently introduced Phastsystem for electrophoresis. Pharmaceuticals sales increased by 102 per cent to SKr 486m, helped by the acquisition of drugs company Leo.

Turnround for Dome Petroleum

By Our Financial Staff

DOMO PETROLEUM, the debt-laden Canadian energy group, yesterday reported first-quarter profits of \$77m or 22 cents a share, compared with a loss of \$72m or 24 cents, as creditors met in Toronto to vote on the C\$5.2bn (US\$3.7bn) bid from Amoco of the US.

Toronto-Dominion Bank said the offer remained unacceptable but the bank intended to work with Amoco and Dome to negotiate an agreement that would include payment in full to secured creditors.

The bank said an increase of about 10 per cent of the purchase price would make the offer acceptable. It added that it believes Dome's unsecured creditors and shareholders have been more than fairly treated.

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

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14th May, 1987

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AMER GROUP LTD Notice of an Extraordinary Meeting of Shareholders

The Extraordinary General Meeting of Amer Group Ltd will be held on Monday, 25 May 1987 at 10.00 a.m. in the Ballroom of Hotel Intercontinental, Mannerheimintie 46-48, Helsinki.

The meeting will consider the following proposals:

1. The Board of Directors' proposal to increase the share capital by FIM 45,728,120 under a capitalisation issue, by not less than FIM 15,000,000 and by not more than FIM 22,864,060 under a rights issue, and by FIM 2,000,000 under an issue to employees (disapplying the existing shareholders' pre-emptive right of subscription), or in total by not less than FIM 62,728,120 and by not more than FIM 70,592,180. The issues will be carried out simultaneously.

2. The Board of Directors' proposal to issue bonds with warrants (in the form of other mass instruments of debt) totalling FIM 100,000,000 by offering 100,000 bonds with a nominal value of FIM 1,000 each, for public subscription in Finland, (disapplying the existing shareholders' pre-emptive right of subscription).

Attached to the bonds will be warrants entitling holders to subscribe for a maximum of 500,000 restricted "A" shares of nominal value of FIM 20 each.

3. The proposal to grant authority for one year from the date of this Extraordinary General Meeting to the Board of Directors to issue further bonds with warrants to a total amount of not more than FIM 450,000,000 or the equivalent in foreign currency on terms to be determined by the Board of Directors. The bonds may be offered for subscription to overseas and Finnish investors, (disapplying the existing shareholders' pre-emptive right of subscription).

Amer's free "A" shares with a nominal value of not more than FIM 45 million would be available for subscription against the warrants issued with such bonds. The terms and conditions of such bonds would in principle be similar to those of the domestic issue of bonds proposed above.

4. The proposal to change Paragraph 20 (Alien Clause) of the Company's Articles of Association, to conform with changed legislation. Further details of proposals 1 and 2 are set out below.

Under the capitalisation issue, a shareholder or someone who has received a shareholder's title to subscription, will receive for every five (5) old shares one (1) new share of the same category with a nominal value of FIM 20 per share, free of charge.

The subscription period begins on 27 May 1987. A shareholder or someone who has received a shareholder's title to subscription, must make use of his entitlement not later than on 3 July 1987. The subscription will be effected against the share issue coupons No. 8, attached to the old share certificates.

In the rights issue, a shareholder or someone who has received a shareholder's title to subscription, has the right to subscribe for one (1) new "A" share with a nominal value of FIM 20, for every ten (10) old shares held, at the price of FIM 120 per share, with the exception that one (1) new free "A" share only may be subscribed for every ten (10) old free "A" shares held. The subscription will be effected against the share issue coupons No. 9, attached to the old share certificates. The new shares issued under the capitalisation issue will not entitle the holders thereof to subscribe under the rights issue.

Under the issue to employees, employees (including for this purpose pensioners or members of the Board of Directors) of Amer Group at 27 May 1987 will be offered 100,000 new "A" shares with a nominal value of FIM 20 each at the price of FIM 130 each. Employees who are Finnish citizens will be offered not more than 100 restricted "A" shares per person, and employees who are not Finnish citizens (other than Canadian or U.S. persons or employees located in Canada or the United States) will be offered not more than 100 free "A" shares per person. The right to subscribe cannot be transferred to another person.

Period of subscription
The subscription under the rights issue and the issue to employees begins on 27 May 1987. Under the issue to employees, those employees who at 12 June 1987 have subscribed 50 shares and bindingly reserved not more than 50 further shares, will be entitled to subscribe during the period 18 June to 3 July 1987, the number of shares decided upon by the Board of Directors, which altogether shall not number more than 100 shares per person. A shareholder or someone who has received a shareholder's title to subscription, must make use of his entitlement against

the share issue coupons not later than on 3 July 1987. The Board of Directors will decide who has the right to subscribe for shares which have not been subscribed in the manner defined above. Alternative rights as determined by the Board of Directors must be exercised not later than on 15 August 1987.

Place of subscription

The subscription can be effected at any office of Kansallis-Osake-Pankki in Finland. The subscription under the issue to employees will be effected at a place, outside Canada and the United States, to be determined by the Board of Directors of Amer Group Ltd.

Bond subscription

The bonds can be subscribed during the period 27 May to 3 July 1987 at any office of Kansallis-Osake-Pankki in Finland. The issue price of the bonds and the interest accrued for the period from the date of issue, 27 May 1987, to the date of subscription must be paid in cash upon subscription.

The bonds shall mature in seven (7) years and will be redeemed in one instalment. The bonds carry interest at an annual rate of 5.5 per cent payable annually in arrears. Each bond with a nominal value of FIM 1,000 contains five warrants. Each warrant will entitle the holder to subscribe for one (1) Amer Group Ltd new restricted "A" share. The exercise price of shares thus subscribed is the arithmetic average of the daily trading prices of Amer Group Ltd's restricted "A" shares (after adjusting for the bonus elements of the share issue) to be resolved in the General Meeting on the Helsinki Stock Exchange from 13 to 19 May 1987, rounded up to the nearest FIM. This price will be determined by the Board of Directors.

Exercise Period

The exercise period begins immediately after the printing of the warrants, but no later than 15 November 1987, and ends on 27 November 1992. The beginning of the exercise period will be announced separately. The exercise period will be suspended for the period 1 July to 31 August in each of the years 1988 to 1992. The Board of Directors of the Company may suspend the exercise period for a determined period in the event that the share capital of the Company is changed, or for any other significant reason.

Subscription restrictions

The Company's free "A" shares have not been, and will not be, registered under the United States Securities Act of 1933. The new free "A" shares may not be offered or sold, directly or indirectly, in the United States or to U.S. persons. The new free "A" shares comprising the capitalisation issue, however, may be made available to existing U.S. shareholders under restrictions and circumstances designed to ensure compliance with the United States Securities Act of 1933.

The new free "A" shares may not be offered or sold, directly or indirectly, in Canada or to Canadian persons.

Under Finnish law and the Company's Articles of Association, the Company's restricted "A" shares may be held only by Finnish persons. Any bonds with warrants issued in the future to overseas investors will not be offered or sold, directly or indirectly, in the United States or to U.S. persons or in Canada or to Canadian persons.

Information

The documents complying with the Finnish Companies Act are open for inspection by shareholders from Monday 18 May 1987 at the Groups Head Office in Helsinki and at the Trustee and Securities Department of Kansallis-Osake-Pankki's Head Office, Kluuvikatu 2 in Helsinki. Also from the same date, the Company will on request send to shareholders copies of the above mentioned documents.

Notification of attendance

Any shareholder wishing to attend the general meeting must register at the latest by 8.45 (Finnish time) on Monday 25 May 1987 at the Groups Head Office either by telephone 358-025531/155 or by mail to: Amer Group Ltd, Box 12, SF-04301 Hyvika, Finland. A shareholder who has not yet been registered in the Company's share register must at that time provide evidence of title to his shares.

Helsinki, 12 May 1987
Board of Directors

INTL. COMPANIES AND FINANCE

Latina's profit up 57%

By Alan Friedman in Milan

LATINA, the Italian insurance group controlled by Mr Carlo De Benedetti's Cofide holding company, yesterday announced a 57 per cent jump in its 1986 net profit, to 120.4bn (\$15.7bn).

Latina, which last year took control of Ansonia, another insurer quoted on the Milan bourse, achieved an 11 per cent rise in its 1986 premium income to 1,211.3bn. When Ansonia's 1986 premium income is added to Latina's accounts, the total comes to 1,431.8bn.

Mr De Benedetti has been keen to build up his insurance interests, and was tipped at the post in his recent attempt to acquire Intercontinental, a sizeable insurer which was eventually taken over by Gemina, the holding company chaired by Mr Cesare Romiti, managing director of Fiat.

Cofide, meanwhile, is understood to be in negotiations to acquire Norditalia, another medium-sized northern Italian insurance company.

ACEC selling Portugal stake

By Tim Dickson in Brussels

ACEC, the Belgian electrical and electronic engineering company which is one of the country's oldest industrial businesses, has announced that it intends to reduce its 51 per cent stake in the Portuguese company EFACEC to 10 per cent by means of a public sale.

EFACEC, which specialises in the manufacture of electromechanical materials, has a turnover of roughly Bfr 3bn (\$8m) and net profits after tax of around Bfr 125m.

FCA discusses HF merger

BY OUR FINANCIAL STAFF

FINANCIAL Corporation of America, the major US savings and loans group, has been discussing the possibility of a takeover by HF Holdings, a company formed by Mr William Simon, a former US Treasury Secretary and Mr Preston Martin, former Federal Reserve Board vice-chairman.

The two companies have held talks on the possibility of such a transaction, FCA said. The S & L group has held discussions with a

total of six companies, and described the HF Holdings talks as "very preliminary."

HF Holdings, formed last June, has already purchased World Trade Bancorp of Beverly Hills, Honolulu Federal Savings and Loan, and Southern California Savings and Loan, also of Beverly Hills.

FCA stressed that, although it would welcome outside capital, a buyout was not necessary to save the company, which has been at-

tempting to return to financial stability since 1984 and still has an estimated \$2.5bn of problem loans.

Late last March, FCA said that it held preliminary talks with unidentified parties concerning a possible acquisition of the company. American Savings & Loan Association, the company has said on a number of occasions that it would give serious consideration to a merger as a means of rapidly improving its capital position.

Sharp decline in quarter for Gulf Canada

By Bernard Simon in Toronto

GULF CANADA, the resources group controlled by Toronto-based property developer Olympia & York, suffered a sharp decline in first quarter earnings to C\$80m (\$67m) or 39 cents a share, from C\$106m, or 51 cents a share, in 1986.

The drop was due to a large contribution to earnings last year from asset disposals. Excluding discontinued operations, first quarter income rose slightly from C\$89m to C\$91m. The 1986 results from continuing businesses included an extraordinary gain of C\$74m, also from the sale of assets. Revenues were unchanged at slightly over C\$1bn.

Gulf Canada has been transformed since O&Y bought control of the company from Chevron of San Francisco in August 1985. From being an integrated oil and gas company, Gulf's interests now centre on "upstream" oil and gas production and a controlling stake in the forest products group Abitibi-Price. Gulf also has a 48 per cent interest in Eiran Walker spirits, which is controlled by the British food and drinks group Allied-Lyons.

Novo earnings steady

BY HILARY BARNES IN COPENHAGEN

PRE-TAX earnings by Novo, the pharmaceuticals and enzyme manufacturing group, showed little change in the first quarter, increasing from Dkr 186m (\$27.7m) last year to Dkr 190m. The 1987 figure includes Ferrosan, the Danish pharmaceuticals group acquired by Novo in the first year.

Novo's statement does not reveal what Ferrosan's contribution to earnings was, but it states that its contribution in the first quarter was more than can be expected for the whole year. Group sales were up by 19 per cent from Dkr 1,011bn to Dkr 1,210bn. Ferrosan accounted for 18 percentage points of this increase.

NOTICE OF REDEMPTION

To the Holders of
**\$100,000,000
ROCKEFELLER GROUP INTERNATIONAL
FINANCE N.V.
13 3/4% Notes Due 1989**

NOTICE IS HEREBY GIVEN to the holders of the outstanding 13 3/4% Notes Due 1989 (the "Notes") of Rockefeller Group International Finance N.V. ("Company") that pursuant to the provisions of the Indenture dated as of June 21, 1984 among the Company, Rockefeller Group, Inc. and Bankers Trust Company (the "Trustees"), and the terms of the Notes, the Company has elected to redeem on June 21, 1987 all of the outstanding Notes.

The redemption price is 101 1/4% of the principal amount thereof plus accrued interest thereon to the date of redemption. Payment of the principal and accrued interest will be made on and after June 22, 1987 (that being the first business day on or after June 21, 1987) against presentation and surrender of the Notes and any coupons appertaining thereto. Payment will be made in U.S. dollars, subject to applicable laws and regulations, either (a) at the office of the Trustee in The City of New York (the "U.S. paying agent"), or (b) at the offices of Banque Indosuez Belgique (Formerly Banque de Bruxelles S.A.) in Brussels, Bankers Trust GmbH in Frankfurt/Main, Bankers Trust Company in London, Banque Internationale a Luxembourg S.A. in Luxembourg, Bankers Trust Company in Paris and Swiss Bank Corporation in Basle (each a "non-U.S. paying agent"). The Notes in bearer form, and coupons appertaining thereto, may be presented for payment only at the offices of a non-U.S. paying agent. Payments at the offices of non-U.S. paying agents will be made by a United States dollar check drawn on a bank in The City of New York, or by a transfer to a United States dollar account maintained by a payee with a bank in The City of New York.

Commencing June 21, 1987 the Notes will no longer be outstanding and interest on the Notes will cease to accrue.

Any payment on the Notes made by (a) the U.S. paying agent, or (b) a non-U.S. paying agent by transfer to an account maintained by a payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding at a rate of 20% if the payee fails to provide the paying agent with an executed IRS Form W-4, certifying under penalties of perjury that the payee is not a United States person, or an executed IRS Form W-9, certifying under penalties of perjury as to the payee's taxpayer identification number (employer identification number or social security number, as appropriate) and, if applicable, that the payee is exempt from backup withholding. Additional information reporting and withholding requirements may apply under non-U.S. laws to payments on the Notes. It is recommended that you consult with your own tax advisor as to the consequences of the redemption of your Notes, including certifications to complete when presenting your Notes for payment.

By Bankers Trust Company as Trustee
May 15, 1987

Genossenschaftliche Zentralbank Aktiengesellschaft Vienna U.S. \$100,000,000

Perpetual Floating Rate Subordinated Notes

For the six months
14th May, 1987 to 16th November, 1987
The Notes will carry an interest rate of 7 3/4%
per annum with a coupon amount of US \$200.21 per
US \$5,000 Note and US \$2002.08 per US \$50,000
Note, payable on 16th November, 1987.

Bankers Trust
Company, London

Agent Bank

Trinkaus & Burkhart

200 years of banking



1986: Winning New Markets

Group Accounts 1986

Selected Data	In DM million	Change as against 1985
Total business volume	7,265	✓ 1.6%
Balance sheet total	5,929	✓ 3.0%
Credit volume	4,285	✓ 1.3%
Securities holdings	1,051	✓ 15.8%
Capital resources	252.5	✓ 15.3%
Net interest	96.0	+ 5.1%
Net commission	95.3	+ 23.4%
Partial operating profit	73.7	+ 10.7%
Pre-tax profit	68.8	+ 8.5%
Post-tax profit	31.9	+ 8.6%

As a consequence of the Bank's conversion into a KGaA and listing on the stock exchange, new dimensions have opened up for our future business development. A DM 100 million convertible bond issue floated in December was favorably received by investors, thus forming the basis for strengthening our long-term lending capacity. Ongoing press coverage and daily quotations of our shares support our intensive efforts to gain new commercial, institutional, and individual clients.

Capital resources rose from DM 219 million to DM 252.5 million. Record results were achieved in 1986. The balance sheet total remained virtually unchanged, whereas assets under management increased from DM 13.2 billion to DM 14.9 billion. Securities trading rose by 70%. Substantial progress was also achieved in underwriting, with three issues under our lead management for the first time.

Strong results were recorded in our own securities and foreign exchange trading. The partial operating profit was up 10.7%. Net commissions rose by 23.4% and nearly reached the level of net interest income, which increased by 5.1%. Total staff expanded from 662 to 723.

The Bank's shareholders will directly benefit from the improved results. The General Partners have proposed that the dividend be raised from DM 8 to DM 9 per nominal DM 50 share, thereby increasing the dividend payout from DM 14.0 million to 16.2 million. Distributable profit amounted to DM 24.9 million compared with DM 22.7 million the previous year.

PUTTING CAPITAL TO WORK

Trinkaus & Burkhart: Koenigsplatz 21-23 • 4000 Düsseldorf • Telephone (0211) 91-91
Düsseldorf Essen Frankfurt/Main Hamburg Stuttgart Luxembourg Zürich

New Issue

5 1/2% Bearer Bonds of 1987 (1995)

May 1987

KfW Kreditanstalt für Wiederaufbau

Offer for Sale

Kreditanstalt für Wiederaufbau, Frankfurt am Main, issues 5 1/2% Bearer Bonds of 1987 (1995) in a total amount of
DM 900,000,000.—

The net proceeds of this issue will be used for long-term investment loans. DM 820,000,000.— of this amount are offered for sale by the banks listed below.

Issue Price:	100 1/4% plus Stock Exchange Turnover Tax with adjustment of interest.
Interest:	5 1/2% p.a., payable annually in arrears on May 15, of each year. The first interest coupon will be due on May 15, 1988.
Denomination:	DM 100.— or a multiple thereof.
Lifetime/Redemption:	8 years. The Bonds will be redeemed on May 15, 1995 at par. Redemption prior to maturity is excluded.
Ranking as Trust Investments/Eligibility for Investments by Insurance Companies:	The Bonds rank as trust investments and are eligible for investments by insurance companies, according to the German laws.
Listing:	The Bonds will be admitted for trading and official quotation on all stock exchanges of the Federal Republic of Germany, including Berlin.
Eligibility as Collateral for Loans by Deutsche Bundesbank ("fombarfähig"):	The Bonds are eligible as collateral for loans by Deutsche Bundesbank ("fombarfähig") upon admittance for trading and official quotation.
Delivery:	The Bondholder receives a Central Deposit Advice from the bank appointed by him. Definitive Bonds will not be available. The Bond issue will be evidenced by one Global Certificate.
Sale:	The Bonds will be offered for sale by the undersigned banks as from today.
Stock Index Number:	276 036.
Euro-Clear Security Code Number:	52 919.

The detailed Offer for Sale to be published in the Bundesanzeiger (German Federal Gazette) is available from the banks. Allotments of Bonds will be at the discretion of the selling banks.

Frankfurt am Main, May 1987

ADCA-Bank Aktiengesellschaft
Allgemeine Deutsche Credit-Anstalt
Amer Handelbank Aktiengesellschaft
Arab Bank; Corporation
Dais & Co. GmbH
Bankhaus H. Aufhäuser
Baden-Württembergische Bank
Aktiengesellschaft
Badische Kommunale Landesbank
Grenzbank
Bank C.I.C. Union Européenne
Aktiengesellschaft
Bank für Gemeinwirtschaft Aktiengesellschaft
Bank für Handel und Industrie
Aktiengesellschaft
Bank in Leichenzheim (Frankfurt GmbH)
Bank of Leipzig (Deutschland)
Aktiengesellschaft
Bankverein Frankfurt am Main
Aktiengesellschaft
Banker Trust GmbH
Banque Paribas Capital Markets GmbH
Bayerische Hypotheken- und Wechsel-Bank
Aktiengesellschaft
Bayerische Landesbank - Grozentrale
Bayerische Vereinsbank Aktiengesellschaft
Joh. Benning, Coesler & Co.
Berliner Bank Aktiengesellschaft
Berliner Handels- und Bankverein
Bankhaus Gehrder & Partner
Bremer Landesbank
Kreditanstalt Odenburg - Grozentrale -
Chase Bank Aktiengesellschaft

Citibank Aktiengesellschaft
Commerzbank Aktiengesellschaft
Commerz-Creditbank Aktiengesellschaft
Europartner
Credito Agrario (Deutschland) Aktiengesellschaft
Cris-Edelbank
Niederbayerische Kreditanstalt
Deutschland Aktiengesellschaft
Dawo Europe (Deutschland) GmbH
Deiftrock & Co.
Deutsche Bank Aktiengesellschaft
Deutsche Bank Berlin Aktiengesellschaft
Deutsche Bank Aktiengesellschaft
Deutsche Genossenschaftsbank
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Deutsche Grozentrale
Deutsche Kommunallandbank
Deutsche Westfälische Bank Aktiengesellschaft
Dresdener Bank Aktiengesellschaft
Bankhaus Max Fleiss & Co.
Finn Fugger-Babershausen Bank AG
First Thurn und Taxis Bank
Albert Fint von Thurn und Taxis
Fürstlich Castellische Bank, Credit-Casse
Gestemündener Bank Aktiengesellschaft
Generale Bank & Co.
Hamburgische Landesbank - Grozentrale -
Georg Hauck & Sohn Bankiers KGaA
Hessische Landesbank - Grozentrale -
Von der Heydt-Kersten & Söhne
Industriebank von Japan (Deutschland)
Aktiengesellschaft
Bankhaus Hermann Lampe
Kontinentalbank

Landesbank Rheinland-Pfalz - Grozentrale
Landesbank Saar - Grozentrale
Landesbank Schleswig-Holstein - Grozentrale
Marcand, Stern & Co.
Merck, Finck & Co.
Metzler, Seel, Sohn & Co. KGaA
Morgan Guaranty GmbH
National-Bank Aktiengesellschaft
Bankhaus Neuhäuser Aktiengesellschaft
The Natio. Securities Co. (Deutschland) GmbH
Nürnberger Bank Aktiengesellschaft
Niederrheinische Landesbank - Grozentrale
Odenburger Bank Aktiengesellschaft
Aktiengesellschaft
Sal. Oppenheim jr. & Co.
Brensch & Co.
Salomon Brothers Aktiengesellschaft
Schmiedbank
Schöber, Münchmeyer, Hengst & Co.
Schwäbische Bank Aktiengesellschaft
Schweizerische Bankgesellschaft (Deutschland)
Aktiengesellschaft
Schweizerische Bankverein (Deutschland)
Aktiengesellschaft
Sironbank Aktiengesellschaft
Société Générale - (Luxemburg) Bank & Co.
Tinkhaus & Burkhart KGaA
Verkehrs- und Handelsbank Aktiengesellschaft
M. M. Warburg & Söhne
Westfälische Landesbank - Grozentrale
Westfälische Bank Aktiengesellschaft
Westfälische Kommunale Landesbank
Grozentr.
Vernicht International (Deutschland) GmbH

This advertisement is issued in compliance with the Regulations of the Council of The Stock Exchange in London. It does not constitute an invitation to any person to subscribe for or otherwise acquire any shares in Nokia Corporation.



(Incorporated with limited liability in the Republic of Finland)

Application has been made to the Council of The Stock Exchange in London for all the free preferred shares of Nokia Corporation to be admitted to the Official List on 15th May, 1987.

The following table sets out the share capital of Nokia Corporation as at the date hereof:

	No. of shares in issue	FIM
Common shares of nominal value FIM 20 each		
— Free	4,762,380	95,247,600
— Restricted	27,683,620	553,672,400
Preferred shares of nominal value FIM 20 each		
— Free	4,690,850	93,813,000
— Restricted	10,713,350	214,267,000
	47,850,000	957,000,000

Listing Particulars relating to Nokia Corporation are available in the statistical service of Exel Statistical Services Limited. Copies of the Listing Particulars may be obtained during normal business hours (Saturdays and public holidays excepted) up to and including 19th May, 1987 from the Company Announcements Office, The Stock Exchange, Throgmorton Street, London EC2P 2BT, and up to and including 29th May, 1987 from:

Sponsors to the introduction:

Enskilda Securities
Skandinaviska Enskilda Limited
26 Finsbury Square
London EC2A 1DS

Union Bank of Finland Ltd
46 Cannon Street
London EC4N 6JJ

Kansallis-Osake-Pankki
80 Bishopsgate
London EC2N 4AV

Brokers to the introduction:

Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

15th May, 1987

NOTICE OF REDEMPTION

To the Holders of

Compañía Anónima Nacional Teléfonos de Venezuela

84% Guaranteed Sinking Fund Debentures Due 1987

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of December 15, 1972, providing for the above Debentures, \$740,000 principal amount of said Debentures bearing the following serial numbers have been selected for redemption on June 15, 1987, through operation of the Sinking Fund, at the principal amount thereof, together with accrued interest thereon to said date:

OUTSTANDING DEBENTURES OF \$1,000 EACH OF PREFIX "M" BEARING THE
DISTINCTIVE NUMBERS ENDING IN ANY OF THE FOLLOWING TWO DIGITS:

04 06 12 14 44 46 63

ALSO OUTSTANDING DEBENTURES OF \$1,000 EACH OF PREFIX "M" BEARING THE FOLLOWING NUMBERS:

4	806	2006	4506	5906	7106	8306	9206	11006	12806	13906
6	1006	3106	4706	6006	7206	8406	9306	11106	12906	14006
8	1206	3306	4906	6106	7306	8506	9406	11206	13006	14106
106	1506	3506	5106	6306	7506	8606	9506	11306	13106	14206
206	1706	3706	5306	6506	7706	8706	9606	11406	13206	14306
306	1906	3906	5506	6706	7906	8806	9706	11506	13306	14406
406	2106	4106	5706	6906	8106	8906	9806	11606	13406	14506
506	2306	4306	5906	7106	8306	9006	9906	11706	13506	14606
606	2506	4506	6106	7306	8506	9106	10006	11806	13606	14706
706	2706	4706	6306	7506	8706	9206	10106	11906	13706	14806

On June 15, 1987, the Debentures designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Said Debentures will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 13th Floor, 30 West Broadway, New York, N.Y. 10015, or (b) at the main offices of any of the following: Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London, Paris and Zurich; Bank Mees & Hope NV in Amsterdam; Credito Romagnolo S.p.A. in Milan and Rome and Credit Industriel d'Alsace et de Lorraine, S.A. in Luxembourg. Payments at the offices referred to in (b) above will be made by check drawn on a dollar account, or by transfer to a dollar account maintained by the payee with a bank in New York City. Payments at the office of any paying agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with, a bank in the Borough of Manhattan, City and State of New York. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 28% if payee not recognized as exempt recipient. Recipients fail to provide the paying agent with an executed IRS Form W-9, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury that the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of \$50. Please therefore provide the appropriate certification when presenting your securities for payment.

Coupons due June 15, 1987 should be detached and collected in the usual manner. On and after June 15, 1987, interest shall cease to accrue on the Debentures herein designated for redemption.

Compañía Anónima Nacional Teléfonos de Venezuela
Dated: May 15, 1987

Eastdil Realty, Inc. is pleased to announce
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680 California Street, San Francisco, CA 94108

1980 South Post Oak Boulevard, Houston, Texas 77056

US side boosts News Corporation

By Bruce Jacques in Sydney

NEWS CORPORATION the big media group controlled by Mr Rupert Murdoch lifted equity account profit sharply for the nine months ended March boosting the return from A\$142m to A\$228.7m (US\$162.9m). Turnover rose from A\$2.72bn to A\$3.92bn. The company, headquartered in Adelaide, played a pivotal role in restructuring the Australian media industry in the period by taking over The Herald and Weekly Times and selling its lucrative Ten Network television interests centred around Sydney and Melbourne.

News, which has large interests in the UK and the US, also sold much of the electronic assets of The Herald and spawned new independent media groups. Published results showed that the bulk of the earnings increase came from the US where profits turned from A\$104.6m to A\$215.6m. Earnings from the UK rose from A\$161.4m to A\$199.4m and Australian operations contributed A\$66.3m against A\$51.9m previously. The result excluded foreign exchange trading gains of A\$32.9m against A\$67.33m and an extraordinary profit of A\$4.6m against A\$3.5m. British publishing operations continued to trade satisfactorily despite an advertising market that performed below expectations, the company said.

The Sun, News of the World and the Sunday Times newspapers posted good profit improvements, but Sky Channel was "very disappointing."

State tightens grip on San Miguel

BY RICHARD GOURLAY IN MANILA

THE PHILIPPINES Government yesterday consolidated its control of San Miguel, the country's beer and consumer goods based group, by electing a majority of the company's directors using 51 per cent of the shares which it sequestered last April.

The decision leaves the Bond Corporation of Australia's offer to buy 13 per cent of the government-held shares as dependent on the Government and the Philippine courts, as it was before yesterday's shareholder meeting. The rapidly expanding Perth-based group offered to buy 13 per cent of the sequestered San Miguel shares as part of a management-sponsored scheme in April, but the Government refused to approve the deal. The Government, through the Presidential Commission on Good Government (PCGG),

raised the number of directors it elected from six to nine, leaving six directors supporting the management team led by Mr Andres Soriano.

However, the PCGG re-elected to the post of chairman Mr Soriano, the son of the company's founder, who the Government claims has been trying to regain control of the company for a year. The PCGG has challenged Mr Soriano's methods for achieving this, but earlier this week promised not to interfere in the company's day-to-day management.

The emotional meeting at which many shareholders were lapel badges telling the Government to keep out of business, failed to resolve who will ultimately control San Miguel. The beer-based giant is the largest Philippine company not controlled by the Government,

employing more than 18,000 people.

The case has attracted attention among potential investors anxious to see how seriously the Government is exercising its avowed desire to stay out of business. President Corason Aquino formed the PCGG last year in order to track down the assets allegedly stolen by former President Ferdinand Marcos during the 20 years he was in power up to February 1986.

San Miguel has widely criticised the commission for going beyond its brief in this case and influencing the operations of an independent corporation.

However, despite a public relations barrage painting the company as the victim of government expansionism, San Miguel, and in particular Mr Soriano, have failed to answer

specific points on which the PCGG has based its opposition to the management's share disposal deal.

Last April the PCGG sequestered over half the company, suspecting that the proceeds of a proposed buy-back of 33.1m shares by Mr Soriano would end up in the hands of a renowned business crony of Mr Marcos.

Later, the PCGG claims, it discovered that Mr Soriano planned to sell San Miguel's group's Hong Kong brewery and use the proceeds of the sale for the share buy-back from which he alone would have benefited at the expense of the small shareholders.

Mr Soriano and San Miguel far failed to explain away documentary evidence produced by the PCGG showing that this is the case.

Setback for Westpac Banking

BY OUR SYDNEY CORRESPONDENT

WESTPAC Banking Corporation, Australia's largest private banking group, has had first-half profits crimped by heavier bad debts and an increasingly competitive financial environment.

The company reported an 8 per cent fall from A\$106.11m to A\$100.37m in net profits for the six months ended March. It is to pay an unchanged interim dividend of 14 cents a share.

Bad and doubtful debt fund-

ing charges rose from A\$66.26m to A\$138.06m and the company was also hit by a lower contribution from its 76.8 per cent owned finance subsidiary, Australian Guarantee Corporation.

Profit from the company's traditional profit powerhouse, trading banking, slid by 3.5 per cent to A\$111m and savings bank operations were down by 5.5 per cent to A\$21.6m.

The company paid tax of

A\$180.37m, down from

A\$196.1m previously. Depreciation totalled A\$68.3m against A\$68.9m.

The banking group said the spread and mix business had allowed profitability of its off-shore divisions to be maintained. At the same time the Americas had produced a "strong performance" flowing from rises in net interest margins and fee income.

Growth at Mitsui Real Estate

BY YOKO SHIBATA IN TOKYO

A BOOMING condominium market helped Mitsui Real Estate Development, the largest Japanese property company, score double-digit gains in sales and profits in the year to March.

Pre-tax profits advanced by 25 per cent to ¥30.32bn

(¥216.5m) and net profits rose 30.1 per cent to ¥15.26bn, on sales of ¥320.71bn, up 15 per cent from the previous year.

The final dividend is to be raised by ¥0.5 to ¥4.5 a share to make a total of ¥8.5 for the year.

Amcoal forecasts further sharp decline in profits

BY JIM JONES IN JOHANNESBURG

ANGLO AMERICAN COAL CORPORATION (Amcoal) South Africa's largest coal mining group, increased sales by almost 10 per cent in the year to March but suffered a sharp profit decline and expects substantially lower sales revenues and profits during the current year.

Sales rose to 40.9m tonnes in the last financial year from the previous year's 37.3m tonnes. Turnover increased to R1.18bn (\$US\$90m) from R1.08bn but operating profit before amortisation, depreciation and tax dropped to R455.4m from R491.1m and pre-tax profit fell to R417.7m from R455.5m.

The directors say the increase in sales was largely due to greater deliveries to Escom, the state-owned electricity utility. More than 60 per cent of the groups sales are made to Escom by collieries dedicated to individual power stations.

Coal export revenues suffered from lower dollar prices on export markets and the stronger rand dollar exchange rate. The South African coal industry's exports surged in the latter part of 1986 and early in 1987 as exporters attempted both to beat the raising of sanctions barriers by the US and some European countries and to move coal before higher rail tariffs were introduced on April 1.

Plans to expand the Richards Bay export terminal have been shelved for the present as the industry fears export volumes are set to decline this year.

Earnings dropped to 78.1 cents a share from 83.2 cents, and the year's dividend was maintained at 240 cents. The directors expect the dividend to be maintained again this year.

Amcoal is part of Anglo American Corporation, South Africa's largest mining and industrial group.

NOTICE TO THE BONDHOLDERS OF

Toppan Printing Company, Limited

U.S. Dollar Denominated
2 1/2 per cent Yen-Linked Convertible Bonds 1994
(the "Bonds") and adjustment of conversion price to be made as a result of the authorisation of free share distribution

Pursuant to the Terms and Conditions of above-mentioned Bonds, we hereby notify as follows:

1. The Board of Directors authorized on 23rd April, 1987, to effect a free distribution of shares at the rate of three (3) new shares for each one hundred (100) shares held at the time of the close of business on 31st May, 1987 (the record date).

2. Accordingly, the Conversion Price of the above-mentioned Bonds will be adjusted pursuant to Condition 6(A) of the Terms and Conditions of the Bonds effective as from the 1st June, 1987 Tokyo time.

Conversion price before adjustment: Yen 698.20
Conversion price after adjustment: Yen 677.90

Toppan Printing Company, Limited
5-1, Teito 1-chome
Teito-ku, Tokyo

15th May, 1987

Global Natural Resources Ltd

A Scheme of Arrangement dated 17th May 1983 providing, among other things, for the exchange of bearer shares of Global Natural Resources Limited, formerly Global Natural Resources PLC, a company organised under the laws of England (Global-UK), for registered shares of Global Natural Resources Inc., a company organised under the laws of the State of New Jersey, USA (Global-US), became effective in July 1983. Pursuant to the Scheme of Arrangement, the issued and outstanding shares of Global-UK have been cancelled. They entitle the holders only to obtain registered shares of Global-US in exchange for their bearer shares of Global-UK and have otherwise ceased to have effect.

Holders of shares of Global-UK will not be entitled to receive dividends or notice of meetings or be able to vote or otherwise participate in the affairs of Global-US unless and until their bearer shares of Global-UK and the Form of Application to receive registered shares of Global-US, legibly completed, are received by the Exchange Agent named below and the shares of Global-US are registered in the name of such holders. Accordingly holders of bearer shares of Global-UK are strongly urged to write to one of the addresses given below to obtain Forms of Application.

Forms of Application may be obtained from the following:

Exchange Agent:
Registrar and Transfer Company
Attn: Exchange Department, 10 Commerce Drive
Cranford, New Jersey 07016, USA

or from:
Global Natural Resources Inc.
5300 Memorial Drive, Suite 900
Houston, Texas 77007, USA

or from:
Hambros Bank Ltd
Attn: Stock Counter, 41 Bishopsgate
London, England EC2P 2AA

Aries Technology, Inc.

recently completed a \$5,000,000 private placement of
Series C Convertible Preferred Stock to

MIP Equity Fund

The undersigned acted as financial advisor to
Aries Technology, Inc. in its negotiations.

Alex. Brown & Sons Incorporated

April 1987

NOTICE OF CALL AND REDEMPTION

To the Holders of

The Bank of Tokyo, Ltd., Portland Branch

(Incorporated with limited liability in Japan)

US\$10,000,000 Callable Negotiable Floating Rate
Certificates of Deposit due May 31, 1988 (the "Certificates")

Notice is hereby given that, pursuant to the provisions of the Certificates, The Bank of Tokyo, Ltd., Portland Branch ("the Bank") will prepay the outstanding principal amount of the Certificates identified below in full on May 25, 1987, the next interest payment date, together with the interest accrued to that date. Payment will be made against presentation and surrender of said Certificates at The Bank of Tokyo Trust Company at 100 Broadway, New York, NY 10005. The Certificates being called are as follows:

Issue Date	Total Number of Certificates Redeemed	Principal Amount of Certificates	Aggregate Principal Amount
May 31, 1983	10 (Nos PT 13127-136)	\$1,000,000	\$10,000,000

The Bank of Tokyo, Ltd., Portland Branch, 411 SW 6th, Portland, Oregon, 97204

UK COMPANY NEWS

Holmes a Court sells 20% stake in Morgan

By Terry Povey

MR Robert Holmes a Court's Bell Group has sold its entire 19.5 per cent holding in Morgan Crucible after 18 months of doubt as to whether the stake was a passive investment or a bid platform for the Australian financier.

The 18.73m shares were placed with institutions yesterday at 335p through a 262m bought deal put together by brokers Warburg Securities and Cazenove.

After news of the deal the material technology group's shares fell 16p to 351p.

Commenting after the sale, Mr Graham Sweetman, Morgan Crucible's finance director, said "we are delighted at the confidence shown in us by the institutions involved in the placing and pleased that the Bell saga has come to an end."

Bell owns 7% of Peachey

Bell Group International of Australia, controlled by Mr Robert Holmes a Court, yesterday declared that it owned 7.2 per cent of Peach Property, recently the subject of bid speculation on the market.

The stake of 2.5m shares worth £10.57m at yesterday's closing price, is assumed to be that once held by Real Property and Finance, a subsidiary of British Land.

British Land does not know who eventually bought its 7.2 per cent stake in Peachey, but it was sold last Friday, a day when the Peachey share price jumped 47p to 425p.

British Land initially built up its holding in February at a price probably around 325p a share.

The disclosure by Bell has fanned speculation that Peachey will sooner or later be the subject of an offer and this has been reflected in its share price movements over the last two days, when falls early in the week were wiped out.

Yesterday the price rose 10p to 435p, after a climb of 11p on Wednesday.

Bell is now the largest single shareholder in Peachey. Other major holders are the Imperial Chemicals Staff Pension Fund with 5.14 per cent, and Cerebral Medical and General Life Assurance with 4.1 per cent.

S. JEROME: Mr Alan Jerome, chairman, told the agm that confidence indicated in his annual statement was well founded. Sales in the first four months of current year were ahead of the equivalent period. Order input in textile divisions had continued at an encouraging rate and orders on hand at end April were significantly ahead of the level at the same point in 1986. The weaving expansion programme had been accelerated and Mr Jerome said he looked forward to another very successful year and the achievement of further record profits.

ISSUE NEWS

Computer People makes first mini-offer for sale

Computer People, Britain's biggest computer staff agency, today becomes the first company to come to the London stock market through a mini-offer for sale—a cross between a placing and a full offer.

Some 30 per cent of the company's enlarged equity is being floated off at 230p a share. Half of it is being placed with institutional investors and half is being made available to the public as in a normal offer for sale.

Altogether, 3.99m shares are to be placed and offered at 230p each, putting a value of £918m on the company. Hill Samuel is sponsoring the issue and Wood Mackenzie is the stockbroker.

Computer People supplies specialist staff to computer users, usually on a long-term temporary basis. A third of its business is in the US.

The prospectus shows how pre-tax profits have grown from £196,000 in 1982 to £1.73m in the year to last December. The company is not making a profits forecast, so it is coming to the market on an historic price/earnings ratio of 20.4.

Half the shares are being sold by existing shareholders and half are being issued by the company. The flotation costs are unusually high at £1.2m, but Hill Samuel says this is because of the expense of reorganising the group prior to the flotation.

● comment

Computer People's offer-cum-placing may succeed in cutting out the big league stage but seems fated to disappoint smaller public applicants with tiny allocations. The response is likely to be strong, for if Computer People has turned

out to be a mite more highly priced than seemed probable a few weeks ago, its advisers were doubtless influenced by the sigh of Select Appointments' shares rising to a premium of nearly 70 per cent after their flotation on an historic price/earnings multiple of 20 last month. Prospectively, too, Computer People's price does not look so outrageous: the sterling/dollar exchange rate may not be smiling on US profits, but with consultants on assignment already running 25 per cent higher than last year and greater productivity coming through from the sales force, a pre-tax profit of £2.4m does not look out of reach. That produces a prospective multiple of 16—a reasonable enough figure for a well-established specialist operator in this fast-growing sector of the market.

Pickwick's paper gets £27.42m tag

BY RICHARD TOMKINS

Pickwick, the record, cassette and compact disc company being floated on the stock market, today publishes the prospectus for its offer for sale.

N. M. Rothschild is selling 6.76m shares at 125p each, valuing the company at £7.42m. The shares are being sold on a multiple of 16.3 times forecast earnings for the year to December 1987.

Pickwick's traditional business is producing low-price pop and classical records and cassettes, but it has recently started to use its distribution network for pre-recorded video cassettes, children's book-and-cassette packages, and compact discs.

The prospectus shows how this has led to a sharp increase in pre-tax profits from £818,000 in 1985 to £1.6m last year, and the company is forecasting at least £2.6m for this year.

Pickwick is only the third company this year to have opted for an offer for sale when it could have chosen a placing: the others were Capital Radio and Sock Shop. It says the offer method will produce more publicity and a wider shareholder base.

Of the £5.45m proceeds, nearly £4.7m will go to existing shareholders and about £.75m net to the company. Some £2.58m of the company's proceeds will be used to buy out the redeemable share

capital issued when a consortium of City investors took a 50 per cent stake in 1986.

● comment

Pickwick may sound like a record company, but repackaged collections of Mantovani and Johnny Mathis hits are a commodity product relatively insensitive to the whims of fashion, for better or for worse. The real key to the company's current prosperity lies not in its products but in its distribution network, which gives it outlets in every high street in Britain. The profits record for much of the past five years is unimpressive, but the figures for 1986 and the forecast for 1987 result from the company's recognition of the network's potential and the start of its drive to put new products through it. The company is at an early stage of this latest phase of development, which suggests that there is scope for short-to-medium term.

Pickwick's shares, unlike its products, are not out-price on a prospective price/earnings multiple of 16.3, but the rating will be justified if the forecast proves conservative and the earnings growth is maintained next year. Small investor enthusiasm for the offer seems assured in the wake of Rolls-Royce, so the level of oversubscription should make it a bit even if the ensuing premium is relatively modest.

BOARD MEETINGS

TODAY		
Finke—Mellon (P & W), Rover	Sedgwick Group	May 22
Group, Yorkville	Smart (J.J. & Co. (Contractors))	May 28
FUTURE DATES		
Avon Rubber	May 20	May 20
FR Group	Jun 11	May 20
Sumat (Holdings)	May 22	Jun 1
Int. Thomson Org.	May 20	Jun 11
Radio Clyde	May 28	May 28
	May 28	May 18
		May 20

Chemoxy value set at £5.35m for full float

Chemoxy International, a Tioxide-based producer of specialty chemicals, is to become one of the smallest recent entrants to the main market with a flotation which will value it at £5.35m.

De Zee & Bevan, the stockbroker, is placing 1.05m shares—some 38 per cent of the total equity—at 185p each. Slightly more than 60 per cent of the shares are being issued by the company, with the rest being sold by existing shareholders.

Chemoxy is the product of a £450,000 management buy-out from Carless Capel & Leonard, the quoted oil exploration company in 1984.

Practical Investment for market with £16.6m value

Practical Investment, an investment trust company, is being floated on the stock market through a placing by brokers Scrimgeour Vickers which will value it at £16.6m. A total of 6.79m shares are being placed at 85p each.

The company's main business is investing in investment trusts. Its present portfolio consists of 10 investments comprising the capital shares of investment trusts, unit trusts and a holding in M & G, the fund management group.

Of the shares being issued, 6.28m are new shares and 495,000 are being sold by existing shareholders. The flotation

will raise £4.9m after expenses, which will enable the company to expand its portfolio.

After the listing, the directors intend to put greater emphasis on international investment. The company will also seek to become an approved investment trust, which will give it advantageous tax treatment.

The prospectus shows that the trust's net assets per share have risen by 275 per cent from December 7 1982 to February 28, 1987, compared with a 159 per cent rise in the FT-Actuaries All-Share index over the same period and 176 per cent for the FTA Investment Trust index.

Levy limits Grampian TV

GROWTH IN pre-tax profits at Grampian Television was held back by a substantial rise in the Exchequer Levy. Before levy, profits were 23 per cent higher but the pre-tax figure was only 6 per cent ahead at £1.77m against £1.66m.

And Sir Iain Tennant, chairman, warned that the results for the first half of the present year were unlikely to be encouraging. But he added that, as usual, the second half would attract the greater proportion of the company's revenue and, "hopefully, the full year results would show a modest improvement on that of the year under review."

The shares of Grampian, which is the IBA contractor for the north of Scotland, fell by 14p to 85p.

Directors said that the rise in the levy from a credit last time of £11,000 to a payment of £286,000 was the result of allowances for overseas sales of the Oil programme taking effect in the previous financial year.

Turnover for the year to the end of February 1987 was £19.25m (£17.75m). The tax charge was £715,000 (£723,000) to give earnings per 10p ordinary and A non-voting shares of

7.78p (6.94p). A final of 1.87p (1.57p) is proposed making a total for the year of 2.3p against 2p last time.

ICELAND FROZEN FOODS: Mr Malcolm Walker, chairman and chief executive, told an AGM that turnover so far this year was showing substantial uplift. He was confident overall performance for 1987 would show significant increase.

MEYER INTERNATIONAL has acquired three separate privately owned timber wholesaling and merchandising businesses in Australia for a total of \$5.5m (£2.4m) cash. Net assets were valued at \$4.5m. Aggregate annual turnover of the businesses on acquisition was \$17.5m.

LONDON ATLANTIC Investment Trust: Net asset value at March 31, 1987 was 336.3p (255.3p). Earnings per share were 7.52p (6.95p). A final dividend of 5.15p makes 7.25p (6.7p). Profit before tax was £1.1m (£1.19m). Tax took £554,000 (£589,000).



THAMES TELEVISION PLC

"We have succeeded in producing a result which reflects a solid improvement in Thames's core business."

Hugh Dundas, Chairman

SUMMARY OF RESULTS

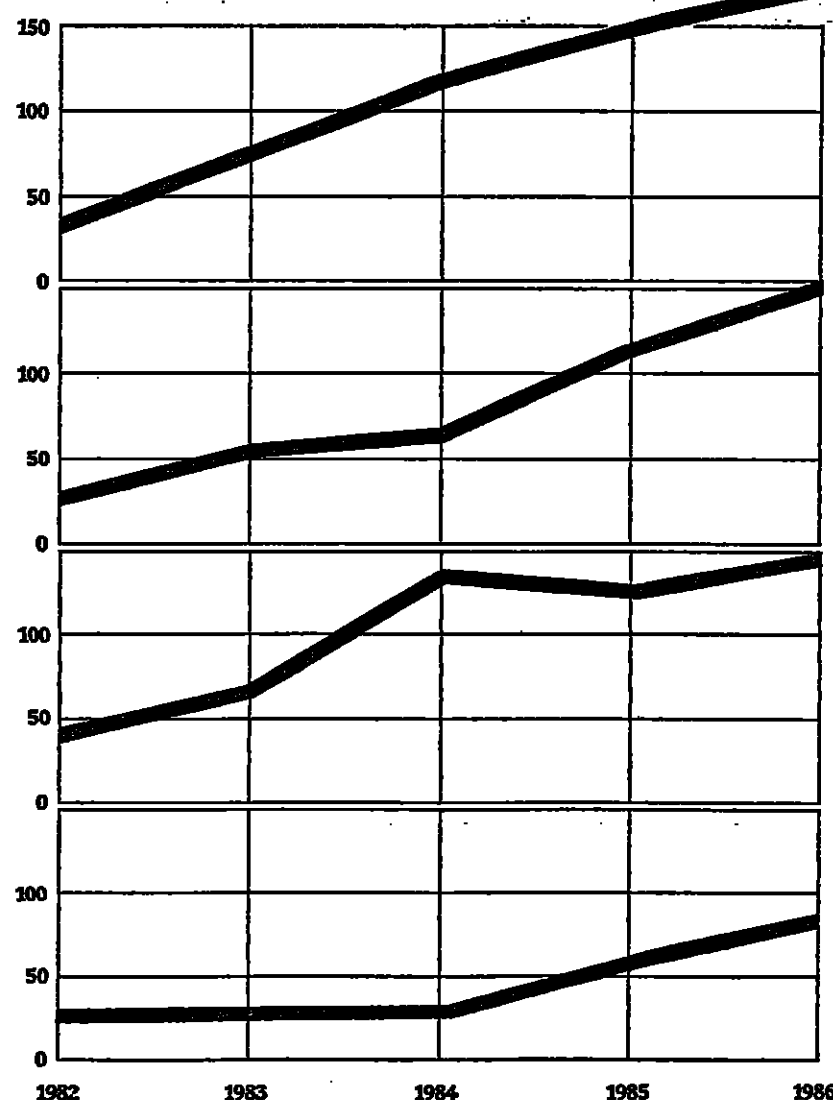
Year ended 31 March

	1987 £'000	1986 £'000	Increase
Turnover	222,221	190,907	+16.4%
Profit before Exchequer levy	37,251	17,271	
Exchequer levy	12,504	2,646	
Profit on ordinary activities before taxation	24,747	14,625	+69.2%
Taxation	8,818	6,347	
Profit on ordinary activities after taxation	15,929	8,278	+92.4%
Extraordinary item	502	—	
Profit for the financial year	15,427	8,278	
Dividends paid and proposed	5,762	4,134	
Earnings per share	33.2p	17.4p	
Dividends paid and proposed	12.0p	8.66p	

The figures for the year ended 31 March 1987 have been extracted from the full accounts on which the auditors have issued an unqualified report, but which have not yet been filed with the Registrar of Companies. The extraordinary item is in respect of flotation costs and is shown net of Exchequer levy.

Thames Television PLC, Thames Television House, 306-316 Euston Road, London NW1 3BB.

The graphs show growth in BTR's Profit before Interest and Tax in £ millions.



Growing places.

BTR

FOR YOUR COPY OF BTR'S 1986 ANNUAL REPORT & ACCOUNTS WRITE TO SILVERTOWN HOUSE, VINCENT SQUARE, LONDON SW1P 2PL, OR PHONE 01-834 3848.

UK COMPANY NEWS

HOTELS MAR STRONG PERFORMANCE ELSEWHERE

GrandMet improves 18% to £168m

BY LISA WOOD

Grand Metropolitan, the drinks, hotels and foods group, yesterday reported pre-tax profits of £167.7m for the half-year ended March 31, an increase of 18.3 per cent on the £141.8m reported for the same period of the previous year.

Profits, however, included £4.2m (£4.5m) from property sales, taken above the line for the first time, and a pensions holiday totalling £5.3m.

The result, better than forecast by City analysts, would have been £6.6m higher, said GrandMet if US dollar exchange rates for the period had been the same as those in the 1986-87 first half.

The profits growth, with strong performances from all divisions except hotels, was achieved on a little changed turnover of £2,570m.

Trading profits of £212.9m were up by 11.1 per cent but, stripping out discontinued businesses, they showed an increase

of 23 per cent on the previous period.

Earnings per share increased by 10 per cent, from 13p to 14.3p, after a higher tax charge and the interim dividend has been increased from 4p to 4.5p.

Despite only a small growth in sales of beer, in a static market, trading profits on brewing activities, at £41.4m, showed an increase of 15 per cent.

GrandMet said Ruddies, the "real ale" brand acquired last year, was being rolled out into national distribution and that it was optimistic for the future of Fosters. GrandMet brews Fosters under licence from Elders IXL, but under a deal struck last month, Elders will also brew the brand in the UK at its Courage brewery.

Consumer services, which includes Mecca Bookmakers and retail operations, showed an 11.7 per cent increase in

sales and an 18.5 per cent increase in trading profits to £32.6m.

The foods division, including Express Patisserie, increased its trading profits by 21.4 per cent to £19.3m despite what GrandMet called difficult market conditions.

The companies within the US consumer products division, now under scrutiny by Mr Ian Martin, formerly managing director of the beer division, all improved sales and trading profits of £27.1m were up by 27.8 per cent. Negotiations are continuing for the sale of DP and Express Foods US.

Inter-Continental hotels' performance continued to be unsatisfactory, said GrandMet, with continuing weakness on the continent. However, there were signs of improved tourist activity in London. The group is seeking to reduce overheads

in the division and improve sales and marketing.

IDV, the largest wine and spirits operation in the world with brands including Baileys Irish Cream, J & B Rare Scotch and Smirnoff vodka, made trading profits of £23.6m, an increase of 33 per cent, on sales of £690m.

The results included trading profits of Huebels and Almaden only from early March 1987. GrandMet said the second half would benefit from the results of both these companies.

The group said that the wines and spirits trades in the important US market were starting to perk up and added that it was well positioned in growth areas including vodka and liquors.

GrandMet said that gearing, lifted to over 100 per cent by the £120m purchase of Huebels in January, would be reduced to about 90 per cent by the end of the financial year. See Lex

Apartheid protestors disrupt meeting

By Lucy Kellaway

THE ANNUAL general meeting of Shell Transport and Trading was almost brought to a standstill yesterday as a result of rowdy protest from anti-apartheid groups.

After nearly an hour of angry questions and answers during which the company staunchly defended its continued presence in South Africa, Mr Peter Holmes, chairman, ordered that a special session be held immediately after the meeting for further questions on South Africa.

Shell has become the chief target for anti-apartheid campaigners now that such companies as Barclays, Kodak and Exxon have pulled out of the country. A full page advertisement protesting against Shell's continued involvement appeared in newspapers earlier this week. Shell is expected to respond today.

Critics

Mr Holmes said yesterday that he doubted the wisdom of the recent movement by international companies to pull out of South Africa. "We can see what the effects have been. Firms have not swept either the South African Government or the white community. In fact, supporters of apartheid in South Africa are beginning to welcome withdrawal of local white ownership of attractive businesses at bargain prices and silence local critics of apartheid," he said.

But speakers from the floor argued that by remaining in the country, Shell was propelling up the apartheid regime.

The company was also questioned on its alleged involvement in the oil embargo by supplying oil to South Africa. Mr Holmes said he was "absolutely positive" that no Shell Oil had reached South Africa during the past five years.

Hostile

Shareholders were provided with copies of recent advertisements in South African newspapers with captions such as "Shell supports a Free Press." The Rev David Haslam, secretary of the Anti-Apartheid Movement, described such steps as "too little, too late." He said: "We will sing, sing, sing until Shell comes out of South Africa."

The atmosphere was hostile between the objectors and the rest of the shareholders who left the room for wine and sausage rolls after the formal end to the meeting. One speaker accused them of "going to stuff their faces while people were being killed." Red and yellow balloons with the caption "Baycott Shell" were released as about a dozen uniformed Shell men moved in anxiously.

DIVIDENDS ANNOUNCED

Asseted Paper	Current payment	Date	Corres. payment	Total of pending for year	Total last year
Bank of Ireland	7.75	July 2	7.75	11	10.25*
Berkeley Group	11.65	Aug 12	1.4*	2.5	2.1*
Brit & Commw	3.55	July 9	2.8	6	5
Chillingham Cpn	4.5	July 13	3.1	7	5.2
Corton Beach	110.4	July 31	4.25	0.4	12.5
English China Clay Int	2.5	July 15	2.5	3.5	3.5
John Foster	14	—	12.5	17	15.5
Gerrard	1.87	July 11	1.57	2.3	2
Gramplan TV A & ord	4.5	Oct 5	—	—	10.25
GrandMet	11.28	—	1.16	1.92	1.74
Just Rubber	1.15	—	4.75	7.25	6.7
London Atlantic	0.8	July 2	—	—	—
Perpetual	16.4	Sept 30	5.5*	—	12.14*
Sasatchi Sasatchi	8	—	—	12	—
Thames TV	—	—	—	—	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ US\$ stock. § Unquoted stock. † Second interim in lieu of final. ‡ Third market.



(Registered in England and Wales No. 1803127)

Placing

by de Zoete & Bevan Limited

of 1,046,680 Ordinary Shares of 10p each at 185p per share

Authorized	Issued and now being
£400,000	£289,000
Ordinary Shares of 10p each	

PRINCIPAL ACTIVITIES
The Company's business is the provision of services to the international chemical industry and the development and manufacture of specialty chemical products.

Listing particulars relating to Chemox International plc are available in the Evox Statistical Services, and copies of the Placing document may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted), up to and including 29th May 1987, from:
de Zoete & Bevan Limited
Ebony House, 7 Swan Lane,
London EC4R 3TS

and, during usual business hours on 15th and 19th May 1987, from:
The Company Announcements Office,
The Stock Exchange,
Throgmorton Street,
London EC2P 2BT

15th May, 1987

R. Dutch/Shell down to £606m in first quarter

BY LUCY KELLAWAY

Royal Dutch/Shell yesterday announced first quarter 1987 profits down by over half compared to the first quarter of last year, with current cost profits reduced to £606m from £1,316m.

However, the 1986 figures were unusually high because crude oil prices fell more sharply than product prices, and the decline this year was, if anything, slightly less than the City had expected.

Replacement cost profits, in which last year's stock loss of £593m became a gain of £22m, were almost unchanged at £698m (£715m).

Mr Peter Holmes, chairman of Shell, described the outlook for oil prices as "fairly encouraging" but warned against sharp price movements, which could be either up or down.

The present "delicate balance" that had been achieved in the market could easily be upset if production did not respond quickly to changes in demand, he said.



Peter Holmes, chairman of Shell

Profits for the full year would depend on the level of oil prices, although £281m earned by the upstream sector, rationalisation of Shell's refineries, coupled with recent acquisitions, should improve its position in the industry. The bulk of the drop in profits came from oil refining and

marketing, with current cost profits down from £614m in the first quarter last year to £168m, despite a volume increase of 14 per cent.

Margins were much lower than at the beginning of last year, although they had improved in the course of the quarter, the company reported.

Meanwhile, production exploration were about 25 per cent below last year because of lower oil prices, and significantly reduced gas prices. Earnings measured in sterling were further depressed by the recent strength of the currency.

Chemicals had a strong quarter, with current cost profits £40m higher at £59m, boosted by improved margins, increased volumes and better sales mix.

Capital expenditure was nearly £200m lower at £236m in the first quarter, although the figure for the full year is expected to be about the same as in 1986. See Lex

B&C profits slide without Exco contribution

BY CLAY HARRIS

British & Commonwealth Holdings, financial services and industrial group, increased operating profits by 23 per cent in 1986 but results at the pre-tax level slid as the company went through its one year without any contribution from Exco.

B&C also said yesterday that it would limit to 2.5 per cent the outside equity interest in a new company it plans to set up to hold its non-nancial activities. Previously, it had suggested that up to 20 per cent would be offered. The change reflects City qualms over dilution of existing shareholders' equity.

Operating profits advanced from £22.6m to £27.9m, with the financial services contribution soaring from £2m to £12.9m, largely on the strength of nearly tripled profits from the Cartmore investment management side.

The non-financial activities, most of which B&C plans to spin off into a separate company, did less well. Bristow helicopters pulled air transport down from £9.2m to £2.8m and the office equipment clipped in only £1.1m against £3.2m. There were upturns, however, in shipping and hotels.

The results in the commercial and service sectors underlined B&C's desire to use the planned spin-off, due by the late summer, to concentrate management attention on the performance of their businesses. Mr Peter Goldie, chief executive, said yesterday.

Pre-tax profits fell from £78.7m to £51.5m, as the net profit contribution from associated companies plummeted from £31.2m to £16.4m. The most significant factor was the 21.6 per cent stake in Exco, which B&C held for 11 months of 1986. It had had it all from the beginning of 1987, after a

£27.3m agreed bid, but it felt the absence last year. B&C also sold its 18.8 per cent stake in Ocean Containers after only five months of 1986.

Turnover increased from £402.4m to £429.9m. After tax of £18.9m (£20.8m), profit amounted to £32.6m (£47.9m). A £27.3m extraordinary credit (£58.2m) included profit on the sale of most of its remaining stake in Telerate.

With earnings per share of 14.3p, against a restated 19.8p, B&C plans to increase its final dividend to 1.55p (2.5p) to make a total of 9p (5p). Its shares added 8p to 440p.

DAVIDSON PEARCE (advertising group) — At arm chairman said the long-term opportunities were much increased by the development of 1986. That was the first full year as a public company; financial targets were met and company developed into other areas. Annual billings now approaching £100m.

MUSTERLIN (publishers) — has acquired Canongate Publishing of Edinburgh, Scotland. The acquisition will increase Musterlin's turnover, around £7m, by £500,000 in the current year and by £500,000 in a full year.

Exco shows 20% profit fall

EXCO, financial services group, reported a 20 per cent fall in pre-tax profits for 1986, its last year of independence before takeover by British & Commonwealth Holdings.

The pre-tax figure of £70.1m, against £87.4m in 1985, included an exceptional loss of more than £7.4m at Wico, the stockbroker, which Exco subsequently sold to Banque Indosuez.

The fall in operating profit, excluding the exceptional loss, from £86.5m to £73.9m

reflected the sale of Exco's majority stake in Telerate, screen-based business information group, in July 1985.

The Telerate disposal also accounted for the decline in turnover from £202.9m to £132.2m and much lower net extraordinary income of £261,000, against £150.3m. The 1986 figure included a £2.1m profit from the Wico sale and £1.7m costs of the takeover by B&C.

Apart from stockbroking, which failed to meet expecta-

tions, other parts of the group showed strong advances. Money broking increased turnover by 15 per cent and profit by 30 per cent, with 60 per cent and 50 per cent advances in forfeiting.

After tax income fell from £37.3m to £27.5m, with net attributable profit of £41.4m against £192.5m. Earnings per share, including the exceptional charge, rose from 17.5p to 15.5p.

Exco became a fully owned subsidiary of B&C on January 1.

ESTIMATED FIRST QUARTER RESULTS 1987

Pre-tax profits increased by over 62% to £47.8m and earnings per share rose from 10.2p to 13.2p.

The recovery in results continued in both the United States, where there was a pre-tax profit of £41.2m and in Canada which achieved a profit of £11.8m.

In the United Kingdom there was a pre-tax loss of £18.7m with the result being severely affected by some £56m of weather claims, the highest ever total in a quarter.

Pre-tax earnings for Royal Life Holdings rose by over 38% to £10.1m. New annual life premiums increased by 30% to £21.3m and new single premiums by 90% to £123.1m.

Operating conditions in our major markets remained favourable. Taking into account the weather losses and some unexpected resurgence of competition in the United States, we have made a useful start to a year during which we believe there will be further benefits from the improvement strategies implemented in recent years.

	3 Months to 31 March 1987	Year 1986 (unaudited)	Year 1986 (audited)
General Premiums	811.5	744.9	3,103.1
Long-term Premiums	228.3	144.4	692.3
General Insurance:			
Underwriting			
Balance	-57.0	-65.3	-108.8
Allocated Investment			
Income	66.7	66.6	278.8
Result	9.7	1.3	170.0
Long-term Insurance			
Profit	8.7	7.0	28.4
Investment Income			
attributable to Capital and Reserves	23.7	18.7	89.3
Share of Associated Companies' profits	5.7	2.4	17.1
Profit before taxation	47.8	29.4	304.8
Taxation	16.2	5.1	54.4
Minority Interests	0.4	0.3	1.8
Net Profit	31.2	24.0	248.6
Earnings per share	13.2p	10.2p	105.3p

Capital and Reserves £2,496m £2,159m £2,465m

The shareholders' leaflet is posted to shareholders. Copies can be obtained from Corporate Relations, Royal Insurance plc, 1 Cornhill, London, EC3V 3QR.

Royal Insurance

ing. Total income was £2417.5m (£2406.8).

A final dividend of 7.75p proposed, making a total of 11p for the year. This was up from 10.25p last year, allowing for a one-for-one scrip issue last July.

Mr Mark Hely Hutchinson, the managing director, said the results were pleasing given the depressed home market where demand for lending was low and resources scarce. Profits before tax in the core Bank of Ireland business fell to £154m from £163.4m.

The bank is looking further to reduce loan loss provisions, which have been cut by 44 per cent in the past two years.

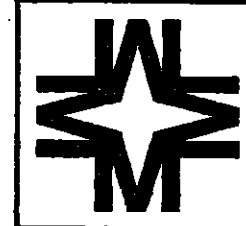
comment

Ireland has not been the best place to run a banking business these last 12 months. The combination of the retention tax and first loan

demand squeezed margins and drove deposits abroad. Most of the bank's bottom line improvement came from a welcome reduction in loan loss provisions and better results from non-banking operations.

Ireland's second largest bank is now hunting at much improved results in the coming year as a major cost-cutting exercise gets under way, and the benefits of steady overseas diversification comes through, including the recent acquisition of Bank of America's US mortgage business. The bank has a surplus of capital in the order of £190m and is likely to announce another acquisition before long, this time probably in the US.

The weakest side of the business will continue to be in Ireland itself until the new Dublin government can crank the economy up into better health.



British Mohair Holdings
Public Limited Company

MOST SATISFACTORY RESULT
CONFIDENT OF FURTHER PROGRESS

- Turnover £41,999,000 compared with £40,407,000 last year.
- Profit before tax £3,907,000, compared with £3,474,000 in previous year.
- Total dividend increased from 6.0p to 6.50p, covered 2.9 times by earnings after tax.
- Policy continuing to expand group by acquisition of well managed and profitable companies.
- Group now more widely based and less affected by cyclical nature of textile trade.
- Strong forward order position in most sectors of group. Confident of continued progress in 1987.

TRADING SUBSIDIARIES		
British Mohair Spinners	Worsted spinners	
Geo. Ackroyd Junr	Commission combbers	
Jermiah Ambler (Uster)	Worsted spinners	
Collier Yarns	Synthetic yarn processors	
Kellogg's Fibres Mills	Property company	
Stork Bros.	Woolen spinners	
T. Mat Engineering	Acoustic engineers	
W. B. & U. Atkinson	Manufacturers of textile machinery accessories	
Jarol	Spinners of hand knitting yarns	
Maurice Goggin	Merchants of paper and packing materials	
Goggin	Merchants of paper and packing materials	
The Jewel Blade Co.	Manufacturers of industrial surgical and razor blades	
Sewing Machine Parts	Suppliers of industrial sewing machine parts	

Copies of the Annual Report and Accounts may be obtained from P.O. Box 58, Midland Mills, Bradford BD1 4FL.

UK COMPANY NEWS

International side helps lift ECC up to £43.1m

English China Clay, the clays and construction group which in January failed in its bid to take over Bryant Holdings, the housebuilder and property developer, yesterday reported a sharp increase in 1986-87 profits and at the same time called on shareholders for £35m net via a rights issue.

For the year to April 30 turnover advanced by 66 per cent to £52.2m and at the pre-tax level profits accelerated from £3.3m to £8.5m—in 1983 they totalled just £876,000.

Currently, forward sales are at a record level and land for the group's quality homes continues to be readily available.

The cash call, Berkeley's third in a little over two years, involves the issue of up to 10,571,274 new ordinary shares on a one-for-three basis at 350p.

The proceeds will increase the group's capital base, support continuing growth and provide greater flexibility to take advantage of opportunities for expansion without putting constraints upon organic growth.

In the short-term the proceeds will be used to reduce borrowings and provide additional working capital.

The issue has been underwritten by County and brokers to it are Rowe and Pitman. Provisional allotment letters will be despatched on June 8 and dealings in the new shares are expected to begin the following day.

Turnover from residential building operations rose to £49.2m (£30.5m) and operating profits increased to £7.7m (£4.1m)—the division built 331 homes against 242 the previous year.

On the commercial side turnover reached £3.6m (£1.2m) and operating profits £850,000 (£378,000).

The pre-tax results were after adding in a £517,000 associate's contribution (debit £34,000) and taking account of net interest charges of £528,000 (£702,000).

After tax of £3.03m (£1.5m) earnings worked through at 17.5p (9.1p). A final dividend of 1.65p raises the total to 2.5p (2.1p) on the enlarged capital.

The new shares to be issued will not rank for the final payment.

comment
Rights issues are becoming an annual event at Berkeley Group

—the company raised £1 m 85p a share when it joined the USM in July 1984, came back for more at 142p in March 1985, and again at 335p in May 1986. Over the same period earnings per share have risen more modestly—from 10p to 17.5p—which suggests that the popularity of the stock owes most to the buoyancy of the £100,000+ market in the SE. In this region builders are forever complaining of the price of land but Berkeley has developed clever ways of acquiring small plots, about three-quarters of its houses are built on sites for three units or less. On these it will do a customised, quick turnaround job for a select band of customers who are often willing to buy on the basis of an architect's impression. The £25m rights proceeds could be packaged with the company's highly rate shares provide the wherewithal for an acquisition(s) — certainly management at levels appears to be champing at the bit for more to do. Forecast for this year have been upped to £15m, producing earnings of 23p and a forward looking multiple of 17 on the shares at 405p.

Shareholders wishing to attend the meeting must be registered in the share register maintained by Värdepapperscentralen VPC AB not later than Friday, 22 May, 1987.

Shareholders whose shares are registered in the name of a nominee, must temporarily have their shares registered in their own names to have the right to attend the Meeting. Such re-registration must be effective not later than Friday, 22 May, 1987. Request for re-registration should be submitted to the nominee several banking days in advance.

Dividend
The Board of Directors has recommended that the record day for entitlement to a dividend shall be Tuesday, 9 June, 1987. If the Annual General Meeting passes a resolution in accordance with this recommendation, the dividend will be paid by Värdepapperscentralen VPC AB on Tuesday, 16 June, 1987 to those shareholders who were registered in the share register on the record day.

Stockholm, May 1987

The Board of Directors

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Berkeley calls for £35m as profits advance to £8.5m

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SKANDIA INTERNATIONAL HOLDING AB

ANNUAL GENERAL MEETING

The shareholders of Skandia International Holding AB are hereby called to the Annual General Meeting to be held on Wednesday, 3 June, 1987 at 4 p.m. at Cirkus, Djurgårdsslättan, Stockholm, Sweden.

Agenda

Matters prescribed by the Swedish Companies Act 1975, and by the Company's Articles of Association.

Attendance at the Meeting

Shareholders wishing to attend the meeting must be registered in the share register maintained by Värdepapperscentralen VPC AB not later than Friday, 22 May, 1987.

— notify Skandia International, Corporate Law, Box 7693, S-103 95 Stockholm, of their intention to attend not later than Friday, 29 May, 1987, by 4 p.m. Notification should preferably be in writing, but may also be given by telephone INT + 46 (8) 788 45 58 and should specify name, address, telephone number and civic registration number, where applicable, as well as the registered shareholding.

Shareholders whose shares are registered in the name of a nominee, must temporarily have their shares registered in their own names to have the right to attend the Meeting. Such re-registration must be effective not later than Friday, 22 May, 1987. Request for re-registration should be submitted to the nominee several banking days in advance.

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Stockholm, May 1987

The Board of Directors

Walker Greenbank in £8m deals

BY PHILIP COGGAN

Walker Greenbank, the engineering group being built up by ex-Lord Mayor of London, Sir Anthony Jolliffe, has acquired three private companies for £8.2m as part of its drive to become a major industrial group.

The largest purchase is that of Wilcomatic, a group which designs, markets and services car wash and truck washing plants. It was founded by Mr Monty Freedman in 1967; it has over 50 per cent of the UK car wash market and recently obtained a licence to market conveyor car washes in this country.

Walker Greenbank is paying £8.2m for Wilcomatic in the form of 8.87m new shares, all of which will go to Mr Freedman, who will own 11 per cent of the enlarged equity. Wilcomatic made pre-tax profits of £770,000 on turnover of £9.2m in 1986.

Gimson, which Walker is buying for £630,000, manufactures domestic lifts and invalid handling equipment. Last year it incurred a pre-tax loss of £749,000 but since then has moved to a new factory and is back in profit this year.

Gimson will be combined with Tendercare, a company which supplies pressure padding for hospital beds and wheelchairs.

Half the consideration will be satisfied immediately, via the issue of 180,000 ordinary shares and £131,000 cash, and half in May 1988. There is also an offer worth £50,000 for the preference shares, and a potential further consideration of £160,000 dependent on the size of Gimson's pension surplus and the extent of its tax losses.

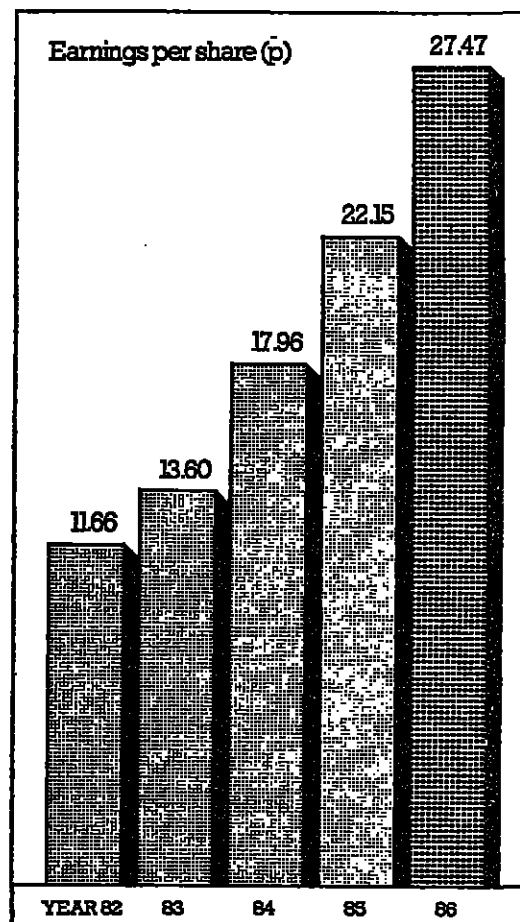
Walker already has extensive lift interests which will fit in

with Gimson and the acquisition of Wilcomatic adds a country-wide service network which can be extended to lifts and be developed as a separate profit centre.

Gorseline, the third purchase, manufactures high density polyethylene pipe and provides tracing and fault detection services for underground pipe-

lines. Management accounts for the first nine months of this year indicate pre-tax profits of £150,000 on turnover of £680,000, and Walker is buying the group for £680,000. That will be satisfied by the issue of 187,000 convertible preference, 245,000 ordinary shares and £160,000 cash.

Another year of record achievement



Group pre-tax profits up 29.5% to £46.1 million.

Earnings per share up by 24% to 27.47 pence.

Total dividend for 1986 up 20.2% to 10.10 pence per share.

UK operations once again achieved remarkable results.

Half of group turnover is now made up of building products and consumer durables.

The strengthening of the Board and re-organisation of the group into three major divisions will assist considerably future expansion.

Confidence that 1987 will be another year of progress.



"I am delighted to report that 1986 was yet another year of record achievement for Glynwed. Since 1982 the pre-tax profits of the group have grown by 3.4 times whilst earnings per share have grown by 2.4 times."

Gareth Davies Chairman & Chief Executive

	1986 £million	1985 £million
Turnover	478.9	464.1
Operating profit	48.8	39.6
Profit before taxation	46.1	35.6
Earnings for the period	29.9	23.2
Earnings per ordinary share	27.47p	22.15p
Dividends per ordinary share	10.10p	8.40p

Glynwed International

If you would like a copy of the 1986 Report & Accounts, write to the Group Secretary, Glynwed International plc, Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ.

Thames TV profits up 69%

Thames Television, the UK's largest commercial television company, produced a 69 per cent improvement in pre-tax profits to £24.75m in its first full year since its flotation in June 1986.

Mr Hugh Dundas, chairman, said the result reflected a solid improvement in Thames's core business, the operation of the IBA's weekday contract in

the London region. The success of Thames's sales department in increasing the company's shares of network advertising revenue was a contributing factor, as was improved efficiency throughout Thames.

Turnover rose from £190.91m to £222.22m, and profit before exchange levy was £27.25m (£17.27m).

A significant improvement in UK earnings resulted in a four-fold rise in the exchange levy from £3.65m to £12.5m.

Net advertising revenue was £191.1m, a 23 per cent increase over last year. This represented 15.8 per cent of network advertising revenue—up from 15 per cent in 1985.

In January, Thames took a 5 per cent stake in Société Européenne de Satellite (SES), the company behind Astra, a private sector European satellite service based in Luxembourg. The move cost £3.7m and Thames has an option until June to take a further 5 per cent.

Tax took £8.82m, compared with £6.35m, and earnings per share worked out at 53.2p, up from 17.4p. At March 31, the group had a cash balance of £15m. A recommended final dividend of 8p makes 12p for the year.

comment

After its offer for sale was 28 times oversubscribed, expectations for Thames TV's results were obviously pretty high: even a 91 per cent earnings per share increase prompted a 54p price fall to 465p yesterday. The shares have come a long way from the offer price of 190p, so investors can hardly be blamed for profit-taking — there are other stocks in the sector with less demanding P/Es. Advertising revenue this year recovered in April after a disastrous March but even the most optimistic analysts are only expecting a rise of 12 per cent, just over half last year's increase. Overseas sales, the other main source of revenue, are declining as no series has yet emerged to replace the popularity of Benny Hill. With plans afoot to restructure the IBA network, Thames must be a likely loser of a shift to the smaller companies or the independents and although some progress has been made in reducing labour costs and burden of fixed costs remains high. Assuming pre-tax profits of £28m this year, the prospective P/E is 13 — that looks quite high enough.

Mid-Sussex Water

The second call of £49 per cent on the issue of £3m

Mid-Sussex 10 per cent Debenture 2013/17 is payable by 7th January, 1988 and not by 31st December, 1987 as announced yesterday.

To the Holders of WARRANTS

to subscribe for shares of common stock of

SANKYO ALUMINIUM INDUSTRY CO., LTD.

(Issued in conjunction with an issue by Sankyo Aluminium Industry Co., Ltd. (the "Company") of U.S. \$40,000,000 3 1/4% Guaranteed Notes Due 1991)

NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF SUBSCRIPTION PRICE

Pursuant to Clause 4(A) of the Instrument dated December 2, 1986 under which the above described Warrants were issued, you are hereby notified that a free distribution of Shares of our Company at the rate of 0.1 share for each one share held will be made to shareholders of record as of May 31, 1987.

As a result of such distribution, the Subscription Price at which shares are issuable upon exercise of the Warrants will be adjusted pursuant to Condition 7 of the Warrants from \$45.00 Japanese Yen to \$66.40 Japanese Yen effective as of June 1, 1987.

The Industrial Bank of Japan Trust Company on behalf of Sankyo Aluminium Industry Co., Ltd.

Dated: May 15, 1987

To the holders and beneficial owners of Northern Pacific Railway 4% prior lien bonds due January 1, 1997 (4% bonds), and their coupons and Northern Pacific Railway 3% general lien bonds due January 1, 2047 (3% bonds), and their coupons

UNITED STATES DISTRICT COURT FOR SOUTHERN DISTRICT OF NEW YORK

Alan C. Rieyman, et al., Plaintiffs,
against
Burlington Northern Railroad Company, et al., Defendants
85 Civ. 3964 (RLC)

SUMMARY NOTICE OF PROPOSED SETTLEMENT AND OF SETTLEMENT HEARING

A \$35,500,000 PROPOSED SETTLEMENT OF THIS CLASS ACTION HAS BEEN REACHED UNDER APPROVED COURT SUPERVISION. CLASS MEMBERS WHO HOLD 4% BONDS WILL BE PAID APPROXIMATELY \$14.75 FOR EACH \$100 FACE AMOUNT HELD, PLUS INTEREST, AND CLASS MEMBERS WHO HOLD 3% BONDS WILL BE PAID APPROXIMATELY \$4.525 FOR EACH \$100 FACE AMOUNT HELD, PLUS INTEREST, AS HEREIN PROVIDED, AND CERTAIN OF THE COLLATERAL SECURING THE BONDS WILL BE RELEASED. THE PAYMENTS UNDER THE PROPOSED SETTLEMENT WILL BE IN ADDITION TO ALL PAYMENTS OF INTEREST AND PRINCIPAL PAYABLE TO THE HOLDERS OF THE BONDS. YOU MAY OBTAIN A COPY OF THE COMPLETE NOTICE OF SETTLEMENT BY WRITING TO STEPHEN LOWEY, ESQ., AT THE ADDRESS INDICATED BELOW.

1. The above-entitled action was brought in the United States District Court for the Southern District of New York by plaintiffs on behalf of holders of two series of Northern Pacific Railway bonds, the 4% Prior Lien Bonds due January 1, 1997 ("4% Bonds"), and the 3% General Lien Bonds due January 1, 2047 ("3% Bonds") (collectively the "Bonds"), of which defendant Burlington Northern Railroad Company ("Burlington Northern") is now the obligor and defendant Bankers Trust Company ("Bankers Trust") and Citibank, N.A. ("Citibank") (collectively the "Trustees"), are the respective trustees. Plaintiffs challenged the legality of a plan announced by Burlington Northern on April 22, 1985, whereby the Trustees agreed to release from the liens of the mortgages securing the Bonds certain valuable non-railroad assets ("Resource Properties") that were pledged as a portion of the collateral securing the Bonds, by depositing with the Trustees sufficient United States Government securities to guarantee all payments of interest and principal on the Bonds as they came due (the "Deposit Plan"). The Deposit Plan was coupled with a tender offer whereby Burlington Northern proposed to purchase all outstanding Bonds at \$85.50 per \$100 face amount for 4% Bonds and \$89.00 per \$100 face amount for the 3% Bonds (the "Tender Offer").

THE PROPOSED SETTLEMENT

1. The parties and their attorneys have reached an agreement that, subject to judicial approval, would settle all aspects of this controversy. It is anticipated that under the proposed settlement, holders of the 4% Bonds will receive approximately \$14.75 per \$100 Bond plus interest, and holders of the 3% Bonds will receive approximately \$4.525 per \$100 Bond plus interest.

2. The Court has certified a non-opt-out plaintiff class pursuant to Rules 23(b)(1)(A) and 23(b)(2) of the Federal Rules of Civil Procedure consisting of all holders of the Bonds and of coupons detached from the Bonds and all beneficial owners of such Bonds and coupons, and their successors in interest, but excluding Burlington Northern (the "Class").

3. Burlington Northern has deposited a Settlement Fund of \$35,500,000 with Morgan Guaranty Corporation, New York, as Escrow Agent. If the settlement is approved by the Court, the Settlement Fund (including accrued interest) less amounts approved by the Court for plaintiffs' counsel fees and other litigation expenses, will be distributed to holders of Bonds and holders of coupons detached from the Bonds that have not matured on the date payment is first made ("Coupons"). Payments shall be made only to holders of record of registered Bonds and to holders of Coupons, upon physical presentation of the Bonds and Coupons to the Escrow Agent. Beneficial owners of Bonds and Coupons shall have no right to receive payment directly from the Settlement Fund; rather any beneficial owners must look for payment to the record holders of registered Bonds and to the bearers of bearer Bonds and Coupons. Payments will be subject to all applicable legal requirements for tax withholding in respect of payment of interest.

4. If the settlement is effected, it is anticipated that the trading prices of the Bonds will decline substantially because they will no longer reflect the speculative premiums at which the Bonds currently trade. The cash payments to be received by the members of the Class under the settlement, at the time of its negotiation, were projected by plaintiffs' counsel and their expert to exceed any decline in the market value of the Bonds due to loss of the speculative premium. Evidence of the volatility of the bond market, due to changing interest rates among other things, no assurance can be given as to the market value of the Bonds at the time of distribution of the Settlement Fund.

5. On the date payment is first made to holders of Bonds and Coupons, the Resource Properties shall be released from the liens of the mortgages securing the Bonds. Burlington Northern shall thereafter be entitled to retain and use proceeds derived in any manner from the Release of the Resource Properties and all restrictions contained in the mortgages securing the Bonds. In all other respects, the terms and conditions of the Bonds and mortgages will remain in full force and effect, all assets, other than the Resource Properties, pledged to secure payments due on the Bonds will continue to secure the Bonds, and Burlington Northern will continue to be liable for the timely payment of interest and principal.

THE SETTLEMENT HEARING

1. A hearing will be held before the Court in Room 518 of the United States Court House, Foley Square, New York, New York 10005, on July 15, 1987, at 10:00 a.m. (the "Settlement Hearing") to determine whether (i) the Stipulation and Agreement of Settlement settling all claims asserted in this action is fair, reasonable and adequate and should be approved by the Court; (ii) an Order and Final Judgment should be entered dismissing this action as to all defendants with prejudice as against the named plaintiffs and all members of the plaintiff Class as certified by the Court; and (iii) if the Court approves the settlement and enters the Order and Final Judgment, an application by plaintiffs' attorneys for reasonable attorneys' fees and other litigation expenses in connection with this action should be approved. The Court has reserved the right to adjourn the Settlement Hearing without further notice of any kind.

2. If you consider the proposed settlement acceptable, you need not appear at the Settlement Hearing and your interests will be represented by the attorneys for plaintiffs. Any person or entity who is a member of the Class may appear at the Settlement Hearing and show cause, if such member has any, why the proposed settlement or the request for attorneys' fees and expenses should not be approved, and this action not be dismissed with prejudice. No person or entity shall be heard at the Settlement Hearing unless a Notice of Intention to Appear and grounds for objection, in writing, together with any supporting papers which such Class member may choose to submit, are filed with the Court, at least fourteen days before the Hearing, showing due proof of service, by first class mail on the following:

Stephen Lowey, Esq.
LOWEY, DANNENBERG & KNAPP, P.C.
747 Third Avenue
New York, N.Y. 10017
Attorneys for Plaintiffs

Robert D. Joffe, Esq.
CRAVATH, SWAINE & MOORE
One Chase Manhattan Plaza
New York, N.Y. 10005
Attorneys for Defendant Burlington Northern

David Mark, Esq.
SHEARMAN & STERLING
53 Wall Street
New York, N.Y. 10005
Attorneys for Defendant Citibank

Jeffrey Barist, Esq.
WHITE & CASE
1155 Avenue of the Americas
New York, N.Y. 10036
Attorneys for Defendant Bankers Trust

3. Whether or not you participate in the Settlement Hearing, notice of the date payment is to be made ("Final Notice") will be given if the Court approves the settlement. At that time, notice will also be given of procedures for presentation of Bonds and Coupons for payment. Final Notice will be given to holders of registered Bonds by first class mail. Notice will also be published in the Wall Street Journal and the Financial Times of London. If you wish to receive the Final Notice and neither are a holder of a registered Bond nor have written to Mr. Lowey to receive the complete Notice of Settlement, please send a letter indicating your name, address and number of Bonds or Coupons held to Stephen Lowey, Esq., at the above address. DO NOT SEND ANY BONDS OR COUPONS TO MR. LOWEY, TO THE ESCROW AGENT OR TO THE TRUSTEES AT THIS TIME.

4. The Court has ordered that, pending its determination of whether the proposed settlement should be finally approved, plaintiffs and all members of the plaintiff Class or any of them, either directly, representatively or in any capacity, are enjoined from commencing or prosecuting in this or any other Court any action asserting any claims in any way relating to or arising out of or in connection with any of the transactions, matters or occurrences or series of transactions, matters or occurrences covered by the complaint herein or the proposed settlement.

If the Court enters the Order and Final Judgment contemplated by the Stipulation and Agreement of Settlement at or after the Settlement Hearing, all members of the plaintiff class would be conclusively and forever bound.

May 5th, 1987.

BY ORDER OF THE COURT
Raymond F. Burghardt
Clerk of the Court
United States District Court
Southern District of New York

UK COMPANY NEWS

Saatchi doubles midway profit to over £56m

BY CLAY HARRIS

Saatchi and Saatchi, the world's largest advertising group, yesterday reported interim pre-tax profits of £56.2m, more than double the £25.9m achieved in the first half of last year.

Although the results exceeded City forecasts, Saatchi's shares fell 30p to close at £24p. This weakness was attributed to continuing uncertainty about the future operating roles of the DFS Dorland and Ted Bates agencies within the Saatchi group.

Mr Simon Mellor, Saatchi director, said yesterday that such questions were always on the company's agenda, but that no decision, for example, to merge activities would be taken unless all parties were comfortable with the outcome.

Mr Maurice Saatchi, chairman, did not, however, address the issue directly in his interim statement.

The half-year was the first

full reporting period after acquisitions made in 1985-86. These included the US-based agencies, Ted Bates and Backer and Spielvogel.

The group increased turnover from £791.5m to £1.83bn and doubled revenue to £367m in the six months to March 31. Margins improved from 14.1 per cent to 15.3 per cent. Earnings after tax rose from £16.3m to £35.7m.

With earnings per share 21 pence higher at 21.2p (17.5p) Saatchi plans to increase the interim dividend from 5.5p to 6.4p on substantially increased capital, including rights and scrip issues. Cost of the dividend is £10m (£8.5m).

Communications, including advertising and marketing services, accounted for 84 per cent of revenue and 87 per cent of profit. The balance came from consulting services, in which Saatchi saw a strong and growing worldwide market.

The group was "continuing

to assess a wide range of opportunities throughout the media, communications, database, information, consulting and other related service industries," Mr Saatchi said. It was also developing products combining its companies' expertise.

A number of new clients had engaged Saatchi for a full range of business services. These included contracts from Mars, Unilever, Renault, ICI, Allied Lyons, the US Mint, Campbell's Soup, RJR/Nabisco, Proctor and Gamble, and Johnson and Johnson.

"We have seen the transformation in the size of the company and its capacity to thrive in a new age of global marketing," Mr Saatchi said.

After the 23rd successive advance in six-month profits, he predicted another record for the full year over the £70m of 1985-86.

See Lex

Gerrard advances 11% to £11.2m

BY PHILIP COGGAN

AFTER AN eventful year, in which it became one of 27 gilts market-makers, Gerrard & National Holdings, the UK's largest discount house, yesterday announced a 10.9 per cent rise in after-tax profits and a 9.7 per cent increase in the final dividend for the year ended April 5, 1987.

The gilts market weakened for much of the first half of the group's financial year and Gerrard announced it made small interim profits so the news of an increase at the full-year stage cheered the market.

Profits were £11.2m (£10.12m) and there was a transfer to inner reserves of £5.16m resulting from the sale of G & N Equipment Leasing. Disclosed shareholders funds were higher at £22.7m (£25.49m) thanks mainly to the £22m proceeds from last June's rights issue and total assets were up at £4.87m from £4.35bn.

The final dividend was raised to 14p (12.5p), making a total of 17p (15.5p).

comment

Given that G & N had the rights issue proceeds for nine months, one might have expected something more impressive than a 1.0 per cent increase in profits. But a year which saw some nasty moments in the gilts market and the Big Bang leap into market making probably leaves G & N's shareholders feeling grateful for any increase at all. Since the year ended, the group has acquired a 75 per cent stake in Vivian Gray, the stockbroker, as part of its diversification plans but it remains extremely vulnerable to the ups and downs of the gilts market—anything but a Conservative victory will be very bad news for Gerrard indeed. But although the yield on the ups and downs of the gilts market is below several others in the sector, the shareholders are probably watching the opinion polls and sleeping well.

INSURANCE RESULTS

N. American rise helps Royal Insurance recovery

DESPITE SEVERE winter weather in the UK, costing £58m in adverse weather claims, Royal Insurance continues to forge ahead in its profit recovery.

Pre-tax profits in the first quarter were nearly two-thirds higher at £47.8m against £29.4m, thanks to continued improvement in the US and Canada.

However, the higher corporate tax rates in North America resulted in the tax charge tripling from £3.1m to £16.2m and net profit rising by 30 per cent from £24m to £31.2m. The earnings per share climbed from 10.2p to 13.2p.

Almost everything in the US, Royal's largest operating territory, is favourable to the group at present. Pre-tax profits rose from £27.5m to £41.3m on written premiums of \$526m, an increase of nearly 12 per cent.

The statutory operating ratio dropped from 108.5 per cent to 101.6 per cent with the claims ratio coming down over eight percentage points.

Canadian business showed a

higher pre-tax profit up from £9.8m to £11.8m.

comment

Winters in the UK are getting worse and each successive winter is costing insurance companies more and higher claims payments on adverse weather claims. The snows in January and the hurricane force winds in March cost Royal Insurance £58m—double that of 1986, the previous high. Since Royal does not insure these exceptional losses, it is fortunate for the group that everything is coming right in North America. Rumours of the start of a rate cutting war in the US seem to be premature and not likely to occur this year.

The first quarter of pre-tax profits up by two thirds, if continued for the rest of the year, together with a mild Autumn in the UK, should see pre-tax profits for the year up by 16 to 24m, the share price of 89p, down 24p, with a p/e of 7 on prospective earnings per share of 135p under values the recovery.

GA's sharp rise to £22.4m

General Accident reported a first quarter pre-tax profit of £22.4m against only £4.7m last year, despite exceptionally high weather losses in the UK of £40m.

Attributable profits more than doubled from £8.1m to £19.9m.

In the UK, GA saw a slight improvement in its large motor account with losses reduced from £8.6m to £5.7m. But this was offset by these heavy weather losses causing the property accounts to have underwriting losses of £26m against £19m. Total underwriting losses climbed from £27m to £34.9m.

In contrast, underwriting losses in the US were down from £26m to £19.7m on premiums up by 16.5 per cent. Improvement was in all lines except private auto which showed a marginal decline.

Canada showed an improvement of £8.8m to produce a profit of £3.9m for the quarter.

comment

General Accident is continuing its recovery thanks to business in the US coming right, because the UK remains very much the problem territory. The severe winter piled up the adverse weather claims and while the signs in the first quarter are that losses on the UK motor account are coming down as the high rate increases start to bite, there is still a long way to go. However, the rest of the year should see the US recovery continue though GA with its high personal lines exposure will not show the same spectacular results as those composites more involved in commercial lines. If the weather is kind in the UK, GA can expect pre-tax profits up by three quarters to over £200m.

The price of 940p, down 8p, gives a p/e of 12 on forecast earnings per share of 80p and fully reflects the year's earnings potential.

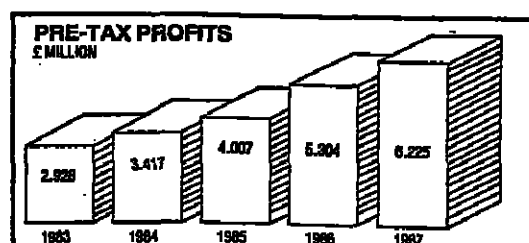
L.J. Dewhirst Holdings p.l.c.

Highlights of another record year

Summary of Results	1987	1986
Year ended 16th January	£m	£m
Turnover	69.103	57.569
Profit before Tax	6.225	5.304
Profit after Tax	4.108	3.498
Earnings per share	5.33p	4.74p
Dividends per share	1.03p	0.92p

The Chairman, Mr. Alistair J. Dewhirst, CBE, reports another successful year for the Group:

- Pre-tax profit up by 17.4% and sales by 20%
- Final dividend of 0.77p per share proposed
- 1 for 5 scrip issue proposed
- Improved efficiency, productivity and quality – all vital factors to success



L.J. Dewhirst Holdings p.l.c., Duwair House, Westgate, Driffield, North Humberside, YO25 7TH.

ijd

Moscow Narodny Bank Limited

Moscow Narodny Bank Limited announces that
Mr D. J. Penzin
has retired as Chairman and Managing Director of the Bank upon his return to Moscow, having completed five years in London in this position.
Mr A. S. Maslov
has been appointed Chairman and Managing Director with effect from 14th May, 1987

81 King William Street, London EC4P 4JS

General Accident

THREE-MONTHS' RESULTS

The results for the three months ended 31st March 1987, estimated and unaudited, are compared below with those for the similar period in 1986, which are restated at 31st December 1986 rates of exchange; also shown are the actual results for the full year 1986.

It must be emphasised that the results for an interim period do not usually provide a reliable indication of those for the full year.

	3 months to 31.3.87 Estimate £ millions	3 months to 31.3.86 Estimate £ millions	1986 Actual £ millions
Premium Income—General Business	657.4	657.4	2,184.9
Long Term Business	32.1	32.1	203.1
Investment Income (see Note)	73.7	66.5	297.8
Underwriting—General Business	(54.0)	(64.3)	(180.9)
Result	3.3	2.9	10.4
Long Term Business profits	22.2	5.1	127.3
Interest on Loans	0.5	0.4	2.2
UK Employee Profit Sharing Scheme	—	—	1.9
Profit before Taxation	22.4	4.7	123.2
Taxation—UK and Overseas	1.6	(4.3)	10.1
Profit after Taxation	20.8	9.0	113.1
Minority Interest and Preference Dividend	0.9	0.9	2.3
Net Profit attributable to Shareholders	19.9	8.1	110.8
Principal exchange rates used in translating overseas results			
U.S.A.	1.61	1.48	1.48
Canada	2.10	2.05	2.05

Note: Investment income excludes £2.9m (1986 £2.8m) representing amortisation of U.S. deep discount bonds which under the U.S.A. accounting conventions would be credited to earnings.

ANALYSIS BY TERRITORY OF GENERAL BUSINESS PREMIUM INCOME AND UNDERWRITING RESULT (before internal reinsurance)

	3 months to 31.3.87 Premium Income £m	Underwriting Result £m	3 months to 31.3.86 Premium Income £m	Underwriting Result £m
U.K.	158.1	(34.9)	168.5	(27.0)
U.S.A.	200.5	(19.7)	187.2	(24.0)
EEC other than UK	43.3	(2.8)	38.0	(5.7)
Canada	64.6	3.9	54.3	(4.9)
Australia	8.3	(1.0)	7.8	(0.5)
Other, including London Market business	51.3	0.5	39.9	(0.2)
	557.1	(54.0)	496.7	(64.3)

Net written premiums and investment income increased in sterling terms by 12.1% and 10.9% respectively. Adjusted to exclude the effects of currency fluctuations, the increases were 16.5% and 17.3% respectively.

In the United Kingdom, net written premiums were £189.1m (1986 £189.5m) and there was an underwriting loss of £30.9m (1986 £27.0m loss) after a recovery of £4.0m under internal reinsurance arrangements (1986 nil). The Motor account benefited from 1986 rate increases and reported a loss of £5.7m (1986 £8.6m loss). Weather-related claims in the quarter costing £40m gross (1986 £20m gross) were exceptionally high even in relation to recent experience and impacted particularly upon the Homeowners and Commercial Property accounts with losses for the quarter of £19.6m and £8.2m respectively (1986 £13.7m loss and £5.3m loss respectively). Improvement in the Liability classes has been maintained.

In the United States, net written premiums were \$322.8m (1986 \$277.1m) and the operating ratio was 109.47% as compared with 113.97% for the same period in 1986. On the United Kingdom accounting basis the underwriting loss was £19.7m (1986 £26.0m loss). With the exception of Private Auto all lines showed improvement on 1986 experience.

Elsewhere there was an aggregate underwriting profit of £0.6m (1986 £11.3m loss). With the exception of Australia, affected by the Vanuatu Cyclone, and Netherlands, other territories performed well with a particularly good result from Canada. New annual premiums for life business in the United Kingdom for the three months were £8.6m (1986 £5.8m) and single premiums £7.6m (1986 £5.1m).

General Accident Fire & Life Assurance Corporation plc
World Headquarters: Pitheavlis, Perth, Scotland PH2 0NH

UK COMPANY NEWS

Acquisitions help API to show 32% profit growth

WITH MAJOR contributions from acquisitions, Associated Paper Industries has seen a pre-tax profit surge of 32 per cent in the half year ended March 28 1987.

Turnover went ahead 25 per cent to £42.28m (£33.88m) and operating profit rose 23 per cent to £5.12m (£4.17m). The pre-tax balance came to £3.04m (£2.3m).

On prospects, the directors stated that the current level of business and order inflow led to optimism about the outcome for the full year, the 1986-87 total was £5m.

The financial position remained strong with gearing showing a steady improvement. The continuing high capital investment would be comfortably funded from the group's own resources and existing facilities.

First half results included Dri-Print Folia and Tenza, acquired in November 1985 and July 1986 respectively. They made a major contribution, the directors reported, after a slow start to the year the results of the papermaking



Charles Rawlinson, chairman of API.

and converting and stamping foil divisions showed a marked improvement in the second quarter.

At the trading profit level, papermaking surged by nearly £1m to £2.5m, while stamping

rose by £400,000 to £1.47m. Performance of the paper mill was particularly good.

The air conditioning, filtration and purification side returned a loss of £1,000 (profit £348,000).

Earnings for the period only rose to 9.6p (9.5p) after an almost doubled tax charge of £1.04m. The interim dividend is pushed up to 2.5p net, from 2.2p.

comment

There were few surprises for the market in yesterday's Associated results. If anything they were a little down on expectations, but not enough for analysts to change their full year predictions of a 35 per cent growth in pre-tax earnings to around 7m. Associated has carved out some impressive niches for itself, especially in foil stamping where it ranks No 2 in the world. It is also the developer of a new method of coating paper using electron beam technology. The market's profit forecasts, and allowing for a 34 per cent tax change gives a p/e of 13.7, a fair rating.

Octopus to pay £4.8m for Mitchell Beazley

By Alice Rawsthorn

Octopus Publishing Group yesterday announced the purchase of Mitchell Beazley, the privately owned illustrated book publisher, for £4.85m in shares as a precursor to further acquisitions both in the UK and overseas.

Mitchell Beazley is best known for its illustrated books on wine, travel, gardening and interiors. In its last financial year, to November 30 1986, it produced pre-tax profits of £221,000 on turnover of £7m.

Mr Paul Hamlyn, chairman of Octopus, said that it had an "excellent booklist which we have carried for a long while."

Initially Octopus will acquire 95 per cent of Mitchell Beazley's share capital, but intends eventually to purchase the rest of the equity. It has funded the acquisition with the issue of 644,761 new shares, 30 per cent of which has been placed for the vendors.

Once the acquisition is completed, Mitchell Beazley will function as an autonomous subsidiary of Octopus. But Mr Hamlyn envisages using the parent group's marketing and international resources for the benefit of the new subsidiary.

Octopus has embarked upon an active acquisition strategy in recent years, eliminating the loss cover of Heinemann from BTR in 1985. The group still has a substantial cash pile

John Foster back in profit and sees further improvement

John Foster & Son, Bradford-based spinner and cloth manufacturer, returned to the black in the second half to report taxable profits of £507,000 against £1.13m, and directors were optimistic about the present year with a much higher level of activity.

In the year to February 27 1987 turnover fell from £24.33m to £20.18m mainly because of reduced demand in the Middle East and Hong Kong and stock reductions by its main merchant customers. Directors said that by strengthening sales to better class retailers and clothiers in the UK and the rest of the EEC the lost markets were being replaced. The benefits were expected in the present year.

Earnings per share came out at 4.3p (11.4p) and the directors are recommending an unchanged final dividend of 2.5p for a maintained total of 3.5p.

In the first half the company incurred losses of £467,000 compared with a profit of £51,000. The second six months resulted in a pre-tax profit of £974,000 (£1.08m). Finance charges were lower at £515,000 (£723,000) and tax was little changed at £122,000 (£123,000). There were extraordinary debits this time of £180,000, being the termination of an interest in a lease commitment and the net closure costs of a factory.

Directors said the second half saw much improved activity in both spinning and weaving. However, because of the normal time lag between production and invoiced sales, that would not be reflected in turnover until the first half of the present year.

They added that the order book for 1987 was healthy and expectations of new orders were good.

Eglington £6m in the red

Eglington Oil and Gas, an Irish exploration company traded on the Third Market, yesterday announced increased trading losses for 1986 and a rights issue to raise £1.5m (£1.35m).

The trading deficit widened from £236,235 to £250,199 before taking account of interest income of £74,391 (£171,355) and an exceptional provision of £6.36m relating largely to the write-off of the Colombian prospects, announced in February.

After tax credits of £8,187 (£84,523) the loss worked through at £5.83m against previous profits of £9,642, equal to losses per share of 25p (nil).

The rights issue is of 6,535,910 new shares at 25p on a one-for-eight basis. In addition, for every 10 shares subscribed there will be a warrant attached entitling shareholders to purchase one more share at 5p, but not until July 1988.

Mr James Tough has been appointed manager of COUTTS & CO's representative office at Lloyd's. He has taken over from Mr Warwick Newbury, who has become deputy head of the bank's financial services division.

Mr Michael J. Salmon has been appointed to an executive director at the SCANDINAVIA BANK GROUP. His director in the trade finance and corporate banking department.

Mr I. Anderson and Mr J. O. Chalm have been appointed directors of LONDON INSURANCE BROKERS, a company jointly owned by C. T. Bowring and Co. and Minet International Indemnity.

Mr Eric Trodd has been appointed as a non-executive director of HAIN AUTOMATION. He joins from Datasolve and Spencer until his recent retirement.

APPOINTMENTS

Vauxhall Motors operations chief

Mr Robert W. Hendry has been appointed executive director, operations, VAUXHALL MOTORS. He succeeds Mr Edward P. Naegeli, formerly director of passenger car manufacturing, who is retiring. Mr Hendry joined General Motors in 1984 and held a wide range of finance positions in the US and Canada. In 1982 he became assistant divisional controller for GM assembly division and took up a key executive assignment with NUMMI in California in 1984. His last appointment was executive director, organisation studies—GME-PC, based in Zurich.

ANGLIA OILS has appointed Mr Phil Mountjoy as commercial director and Mr Ian Butcher as financial director. Mr Mountjoy was commercial manager and Mr Butcher financial controller and company secretary.

Mr S. J. Leary, managing director of A & G Security Electronics, a subsidiary of Halma, has been appointed to the divisional board of the HALMA GROUP's security and office technology division.

Mr Russell Miller has been appointed director of legal affairs at TI GROUP. He joins from Bowater Industries where he was company secretary.

LAND SECURITIES has appointed Mr Harold Ibor Connick, as a non-executive director. He has been senior partner of Thornton Lyne & Lawson since 1954. Mr William Mathieson becomes an executive director. He was appointed a director of Ravenscroft Properties in 1971 and Land Securities (Management) in 1978. Mr Ian James Henderson made an executive director. He was appointed a director of Land Securities (Management) in 1978.

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Associated Energy stays in profit

The improving trend at Associated Energy Services continued into the half year ended March 31 1987, when the company returned a pre-tax profit of £41,000.

That compared with a loss of £64,000, which was turned into a profit of £8,000 by the end of the 1986-87 year.

Engaged is a USM company engaged in building and environmental maintenance services, and catering distribution. Its turnover for the half year came to £1.48m (£1.58m) and operating profit to £91,000 (loss £18,000). Earnings were 0.59p per 5p share (deficit 0.82p).

There were extraordinary charges of £23,000 (£28,000).

The directors said that suitable acquisitions which would enhance the size of the company's activities and enable its existing businesses to be expanded were being examined.

Corton Beach plans USM move as profits trebled

Corton Beach, the acquisitive mini-conglomerate, is planning to seek an early introduction to the Unlisted Securities Market. The announcement was made yesterday at the time of reporting record results with pre-tax profits almost trebled.

Mr Mike Keen, chairman, said the move was part of the next stage of the development of the company, which came to the Third Market in January. It is also intended to float the Propeller textile operation on the Third Market.

In the year to the end of January 1987 turnover more than doubled to £19.54m (£8.51m) for pre-tax profits of £742,000, against £274,000. Earnings per 10p share came out at 3.54p (1.87p) and the directors are proposing an initial final payment of 0.4p.

There were extraordinary credits of £348,000 (£30,000), being the profit on the sale of the company's investment in Park Hall Leisure and reorganisation costs within the motor division.

Mr Keen said that the pre-

sent year had started well with profits and turnover well ahead.

The Propeller menswear operation, the object of the recent Tern acquisition, saw sales rise to £5.52m for pre-tax profits of £313,000.

The base of the automotive division had been broadened with the expansion and addition of a number of franchises. The food division was now centred in Durham and the acquisition of Everfresh and Salop Deep Freeze had concentrated its development in meat processing and freezer centres.

Avesco in talks

Avesco, television services group which joined the Unlisted Securities Market last December, announced yesterday that it was talking to a private company about possibly acquiring it. Although further details may not be known for some weeks, Avesco said it had made the statement because of the recent rise in its share price, up 7p to 90p on Wednesday and another 8p yesterday.

Chillington's second half pick-up

The Chillington Corporation, which changed its name from Plantation and General Investments in March 1986 following the acquisition of the balance of Anglo Indonesian Corporation, yesterday announced pre-tax profits up from £1.76m to £2.65m for 1986 after just a slight improvement from £1.08m to £1.1m at half way.

The directors said that the improvement in profits forecast into the second half of the year across almost all the group's activities.

There was a particularly strong performance from the

overseas engineering businesses and the recently established or acquired operations came into profit. The UK engineering companies generally also continue their steady improvement and there were particularly good results from those selling into the builders merchants and DIY trades.

The directors concluded that the outlook for the group as a whole for 1987 was encouraging.

Turnover last year rose from £10.81m to £36.87m, the comparative figure having been restated to exclude turnover of investment activities of £1.61m.

Tax took £563,000 (£491,000) and minorities £549,000 (£399,000). There was a debit of £138,000 (nil) for monetary working capital adjustment—a provision for the effect of inflation of real working capital of the Brazilian subsidiaries—and extraordinary items amounted to a credit of £235,000 (debit of £69,000). Attributable profits emerged at £1.62m (£898,000) for basic earnings of 13.1p.

As intimated the dividend is a total of 7p (5.2p) with a proposed final of 4.5p. A one-for-10 scrip issue in ordinary and deferred ordinary is also proposed.

Gerrard & National HOLDINGS PLC

RESULTS FOR THE YEAR ENDED 5TH APRIL 1987

	1987	1986
PROFIT FOR THE YEAR	£11.219m	£10.120m
TOTAL COST OF DIVIDENDS	£6.479m	£4.726m
DISCLOSED SHAREHOLDERS' FUNDS	£92.267m	£65.492m
TOTAL ASSETS	£4,176.701m	£3,765.175m

GROUP PROFIT FOR THE YEAR

Group profit after providing for taxation, minority interests and a transfer to inner reserves amounted to £11.219,000 (1986 £10,120,000). After this transfer, inner reserves stand at a higher figure than previously. In addition, £5,157,000 after tax, resulting from the sale of G&N Equipment Leasing Limited, has also been taken to inner reserves.

DIVIDEND

It is proposed that a final dividend of 14.0p (1986 12.5p) be paid on each ordinary share of 25p. This, when added to the interim dividend already paid of 3p (1986 3p), will make a total of 17.0p (1986 15.5p)—an increase of 9.68p. The proposed dividend on the ordinary shares of 25p each will be payable to shareholders on the register as at the close of business on 12th June 1987.

DISCLOSED SHAREHOLDERS' FUNDS

The Group's disclosed shareholders' funds at 5th April 1987 were £92.267 million compared with £65.492 million last year. This year's figure includes the proceeds from the Rights Issue in June 1986, which amounted to £22,035 million.

TOTAL ASSETS

Current assets, excluding those subject to repurchase arrangements, have risen from £3,765 million to £4,177 million. The addition of the £688 million of assets subject to repurchase arrangements gives a balance sheet total of £4,865 million compared with £4,384 million last year.

Gerrard & National HOLDINGS PLC

33 Lombard Street, London EC3V 9BQ. Tel: 01-623 9981

National Westminster Bank PLC

(Incorporated in England with limited liability)

£100,000,000

9 per cent. Deposit Notes 1992

Issue Price 101½ per cent.

The following have agreed to subscribe or procure subscribers for the Deposit Notes:

County NatWest Capital Markets Limited	Bank of Tokyo International Limited
Algemeene Bank Nederland N.V.	Banque Bruxelles Lambert S.A.
Bankers Trust International Limited	Barclays de Zoete Wedd Limited
Banque Nationale de Paris	Commerzbank Aktiengesellschaft
Baring Brothers & Co., Limited	Crédit Lyonnais
Crédit Commercial de France	Daiwa Europe Limited
Credit Suisse First Boston Limited	Fuji International Finance Limited
Deutsche Bank Capital Markets Limited	Goldman Sachs International Corp.
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft	Kansallis-Osake-Pankki
Handelsbank N.W. (Overseas) Limited	Lloyds Merchant Bank Limited
F. van Lanschot Bankiers N.V.	McLeod Young Weir International Limited
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S.G. Warburg Securities	Wood Gundy Inc.
Westpac Banking Corporation	
Yamaichi International (Europe) Limited	

Application has been made to the Council of The Stock Exchange for the Deposit Notes to be admitted to the Official List. Interest on the Deposit Notes will be payable in arrears commencing 28th May, 1988.

Particulars relating to National Westminster Bank PLC and the Deposit Notes are available in the External Statistical Service. Copies of the listing particulars may be obtained during business hours up to and including 19th May, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 29th May, 1987 from National Westminster Bank PLC at 41 Lombury, London EC2P 2BP and from:

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15th May, 1987

THE PROPERTY MARKET By PAUL CHEESERIGHT

Giant shows it was not slumbering

THE JUICEST plum of all: Land Securities—property portfolio of £3bn, net assets £2.45bn, market capitalisation nearly £2.4bn—waiting to be picked off, say respected City men.

Difficult, of course; bit large, but it could be done with a consortium—say a British company with an overseas group, probably Japanese. Of course, it would have to be an agreed bid. Such possibilities have been the stuff of City gossip and speculation on and off for over a decade. It is doubtful whether they keep Lord Samuel awake at night.

He is the man who started with three houses in Kensington worth £23,000 in 1944 and created the colossus of the British property market—over 20 per cent of the weighting in the FT Property Shares Index—that on Wednesday announced pre-tax profits of £120.6m, total

income for the first time over £200m, and a 16.2 per cent increase in net asset value.

But the possibilities are a factor in the thinking of the top group executives. "People have said we're too big," says Peter Hunt, managing director since 1979, "but there are vast sums of money about—and not so much to the west of here."

So here is the Japanese card. "They've got low yields at home, they've got to look at the UK. It's a possibility," Mr Hunt concedes. But, he adds, "Quite frankly I believe the way this company is going—the potential growth and strength of it is such that it should remain independent. But that shouldn't stop you sitting down and saying 'what if?'"

The way this company is going, in fact, has impressed

the City more of late. Even after the interim figures last October, the "buy" recommendations were coming out. "A highly marketable core holding"—Phillips and Drew. "Buy for relative performance"—Quilter Goodson. Messel though was more ambivalent—"A hostage to the fortunes of the UK property market."

The point is that the movement of the property market is working to the advantage of the way Land Securities is going. Criticism of Land Securities is that it simply did not get on the way quickly enough, that it was a bit sleepy, that it had become a mere rent collector.

Mr Hunt denies that, arguing that people did not know what was going on behind the scenes. It could be, of course, that Land Securities did not bother to tell them because it

saw itself as too powerful. "In recent years we have been more forthcoming in talking to analysts, journalists," Mr Hunt says.

His potted rundown of corporate development runs like this. There was a very quiet period after the mid-1970s property market crash, during which time all the subsidiaries were pulled into one operation. By the end of the 1970s, development was coming back and tenant demand was changing. At that stage Land Securities decided that, as Mr Hunt puts it, "the most lucrative development was on sites we already owned."

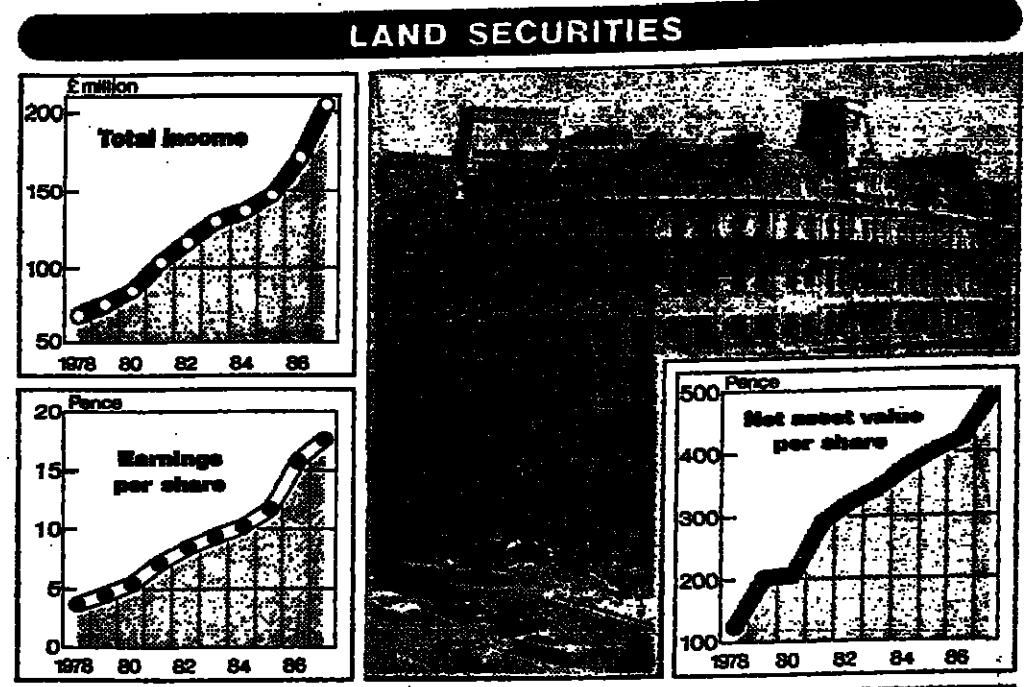
So, he said, the group set about redeveloping and refurbishing the buildings in the portfolio it could get into. That added up to 1m square feet of development. Then, as the 1980s wore on, the group reached the

stage of looking for new opportunities, like retail warehousing, and at the same time started refurbishing shopping centres, while going out to the market and acquiring more property for development.

Roughly, that is where we are now, with the market looking at a group holding 800 properties, 6,000 tenancies and 1,000 rent reviews a year. Share numbers are not really the point, however.

The point is where the properties are and what they are. And it is at this stage that the movements on the market and the way Land Securities is going to start to run together.

The boom areas are central London offices and retailing. With around 8.5m sq ft of office space in the City of London, the West End and Victoria, Land Securities would be making a great deal of money even if it did nothing. It is London where the group's office portfolio is concentrated.



Grand Buildings, Trafalgar Square: Plans for redevelopment first discussed in 1981

The main criteria for a purchase

LAND Securities is looking for further growth, but the chances are that this will take place out of its own development programme rather than buying completed projects.

The difficulty is that, although the group has plenty of resources to step into the marketplace, there are not that many finished properties for sale which meet its buying criteria.

The quickest growth is by acquisition and that was how Land Securities grew in the 1960s. But then the main criterion for a purchase was simply "where is it?" That, of course, is still a factor. "You need the highest possible proportion of value in the land," says Mr Peter Hunt, the managing director. "There is then a margin to support redevelopment and

refurbishment of the original building."

This is important for the group because it buys for the long term. Indeed, critics say that it does not prune its portfolio often enough or quickly enough.

There are three other criteria Land Securities uses for acquisition:

- Buy freeholds: only take a 1/20th share at a peppercorn rent;
- Keep the ownership at 100 per cent—"put in the money, own it, control it," in Mr Hunt's words;
- Make certain the building is of high quality—it reduces the refurbishment costs.

"The best thing we can do," says Mr Hunt, "is to pick our locations (for site purchase) and build up development and create additional holdings which meet these four criteria."

But of this 8.5m sq ft, around 3.5m was built before 1985, so there are substantial refurbishment opportunities still to be exploited. And these are opportunities property groups like to have—their existence in the Oldham Estate portfolio was one reason M&P was keen to buy it. On top of that, in the next year, Land Securities will start work on a further 1m sq ft of new space. On the retailing side, the

group has spent over £100m in buying itself a place in the retail warehouse market. It was 100 late in the field, not starting until 1985, but now has the potential of 3.5m sq ft of space, if all the development plans are brought to fruition. Buying ready-made is now pretty well ruled out. "It's more and more difficult to buy completed things, because everybody's got wise to the yields," says Mr Hunt.

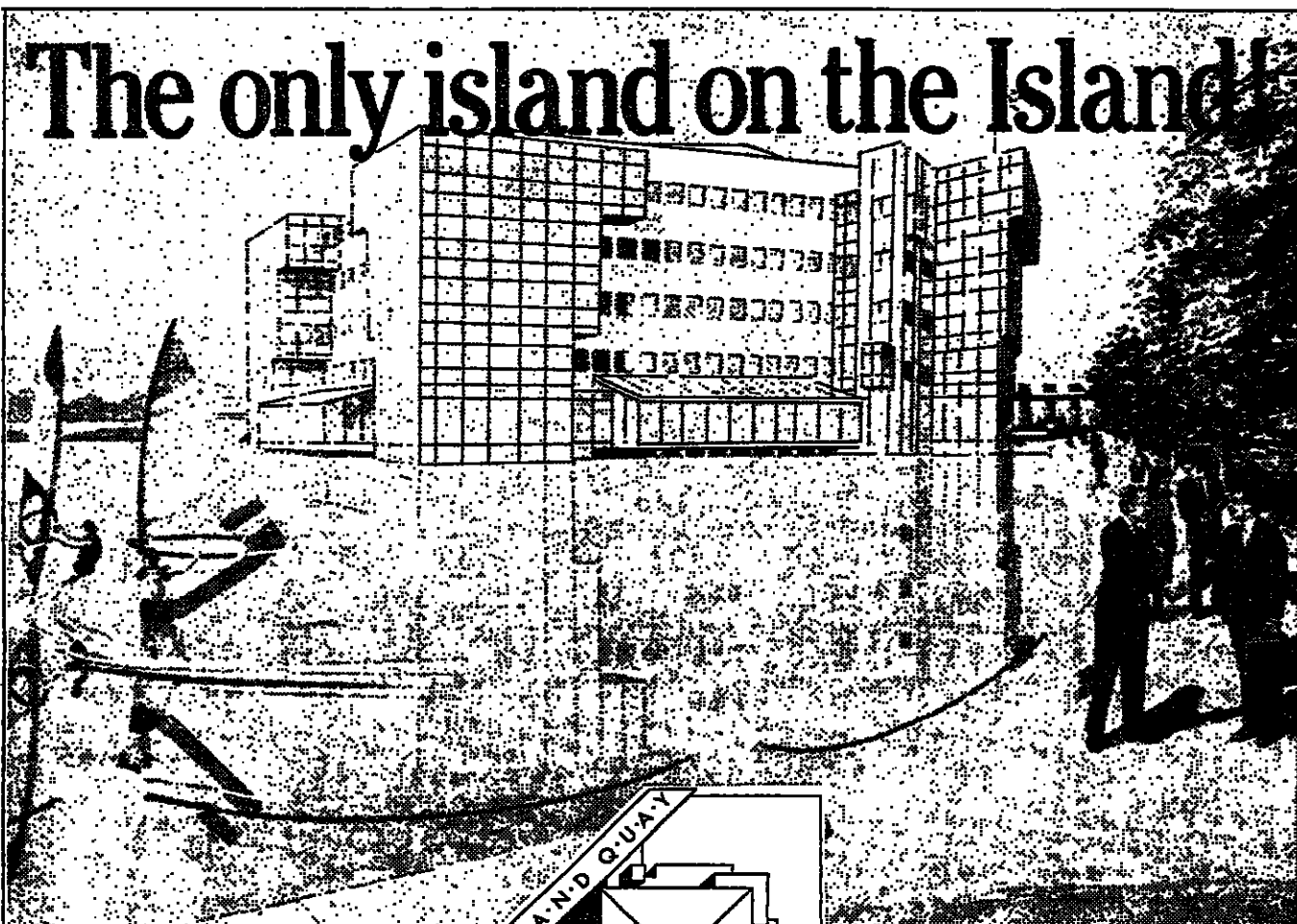
All this adds up to a de-

velopment programme which is worth substantially more than the £346m Land Securities says it has committed. It has cash in hand from long-term borrowing—£600m raised on the capital markets since November 1985—and the capacity to raise more. With tiny short-term borrowings and about £850m in total of long-term debt to set against net assets of £2.45bn, it is scarcely highly geared.

Indeed, the board is approaching the market for authority

to lift the borrowing limit from £1bn to £2bn.

There is then a sense of activity about the group and this has contributed to the rise in its share price. It has offered reasons for buying other than those which apply to the sector generally. This in turn has narrowed the discount between the market price and the net asset value. "The average of 20 per cent for so long is far too big a discount," Mr Hunt claims.

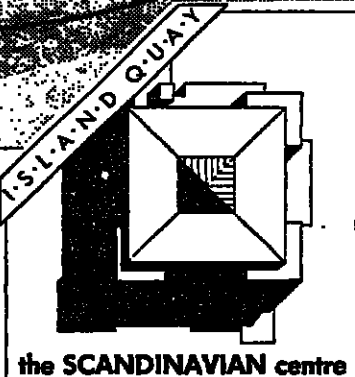


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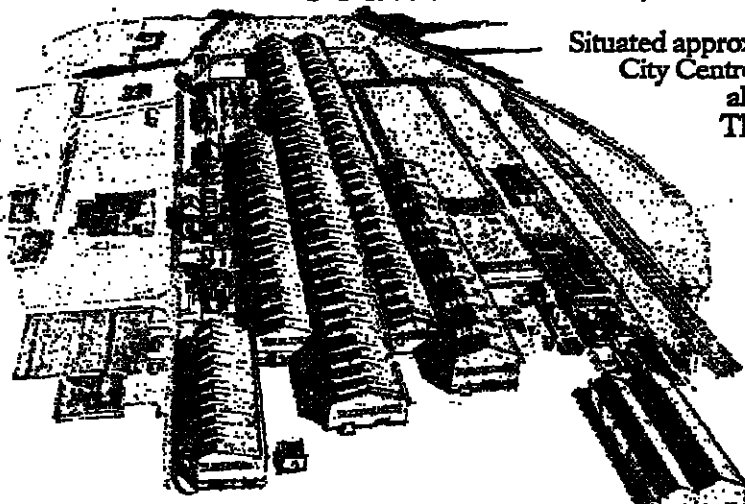
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LAW AND SOCIETY

A message to the manifesto draftsmen

BY A. H. HERMANN, LEGAL CORRESPONDENT

IT WAS my intention to write this week, as I have done many times before, about the awful mess in which the intellectual property law is at present and to draw attention to the excellent analysis of the problem provided last week by Mr Edward Armitage, former Comptroller General of the Patent Office, in a public lecture at Queen Mary College, London University. However, there is no hope that our political masters, actual or potential, will give a thought to such a pedestrian subject (concerning neither sex, violence, race nor sport but only how to turn inventiveness into wealth of nations) in a week when they are adding the final touches to their election manifestos. I have decided, therefore, to be deviant and to tackle the more fundamental failings of which the sorry state of intellectual property law is but one of the many deplorable consequences. Let us hope that the manifesto drafters will prick up their ears when they hear that the rule of law is only a fiction in the UK.

There are four reasons why law is losing a rearward action, holding on desperately in enclaves engulfed by social and technological change. First, the people in the UK, their origin, ethos and pursuits are much more varied, and the technology they use is undreamed of a mere 50 years ago, but English lawyers try to make do with concepts and legal forms developed 500 years ago. A casuistic law, relying on precedent and specific statutory provisions, shunning general rules, aims and philosophy cannot cope with the fast-changing scene. Mr Armitage provided one illustration in many when discussing the failure of the present system to cope with industrial design.

Second, with mass production, urbanisation, consumerism, the welfare state, terrorism and information technology, the citizen is dwarfed by the ever-present bureaucratic machine. Yet administrative law which would protect the citizen against the mighty has been completely neglected by parliament.

The neglect is unavoidable—and this is the third reason for the defeat of the rule of law—when parliament is dominated by the government in office so that its checks on the executive are more and more only noisy and no longer effective. Finally, the pervasiveness of government and lack of legal principles greatly aggravates the consequences of an electoral system which gives a minority party almost absolute power until the next election.

What is to be done by politicians to re-establish the rule of law? They should stop fooling themselves and the public that the law-making process can be completed by passing a statute. It is high time to accept that law is a dynamic system created and recreated all the time, all the way down from parliament, by officials, judges, companies and individuals.

To function satisfactorily, its servants, the lawyers, must be better prepared by being taught not only cases but also the theory and discipline of law. This can hardly be achieved by a six-month cramming course plus some practice. Proper full-time study of at least four years should produce candidates for training from much wider social background to replace our WOMB (white Oxbridge male barrister) judges by a career service with greater understanding of the principles of law and lesser tolerance of attorneys' tricks.

As Sir Gordon Borrie, QC, Director-General of Fair Trading, now urges, the choice of whether an attorney, whether solicitor or barrister, should be left to the parties and both solicitors and barristers should be free to form partnerships and partnerships with other professions as well. And perhaps to limit their liability by shares.

The law-making process is in urgent need of reform. First, as Lord Hailsham suggested when he talked to the Financial Times recently, the purpose of a statute should be made clear both to parliament making it and to the judges applying it by attaching to the bill a report to which the courts would be able to refer when trying to decipher parliament's intention from the obscure language of the parliamentary draftsman.

Second, to help judges modernise common law, Law Commission recommendations should be, as Professor P. S. Atiyah suggested in his Hamlyn lectures*, discussed by parliament and, if accepted, should be used by the courts as guidance for judicial development or reform of the law.

The haphazard development of administrative law by courts, welcome as it was, cannot alone restore the balance between the machinery of state and the individual subject.

Work on a code of administrative law should be put in hand without delay and in the meantime an outline of its main principles should be approved for the guidance of courts.

The European Convention of Human Rights should be made part of UK law without delay—a proposal which now has wider support ranging from the extreme left to Lord Hailsham.

As Ms Gillian Peele of Lady Margaret Hall, Oxford, argues in a pamphlet published last week, the system of ombudsmen dealing with complaints against national or local administration and that of the National Health Service should be strengthened, published and made effective by giving the citizen the possibility to seek the enforcement of the ombudsman's report in court—as is possible in Northern Ireland. The ombudsman should be accessible directly and not just through a member of parliament.

To this I would add that many more sectors should be provided with ombudsmen and that the toothless Lay Observer of the Law Society should be replaced by a tribunal with real power to defend the victims of both branches of the legal profession.

There can be no rule of law as long as courts are closed to those who are not poor enough to get legal aid or sinking rich enough to be able to pay for it. Let us admit that legal aid is only a subsidy to the legal profession and discriminate against all people depending on modest or medium income. The remedy is:

● To allow litigants and attorneys to agree contingency fees, and this is the third reason for the defeat of the rule of law—when parliament is dominated by the government in office so that its checks on the executive are more and more only noisy and no longer effective.

● To replace the present time fees by fixed standard fees—a policy already embraced by the Lord Chancellor's department.

● To push energetically development towards greater judicial control of pretrial proceedings and of the trial, making it the judge's job to press for settlement where appropriate. Parties should be required to place cards on the table and to provide full written information to each other and to the court as a preliminary to oral proceedings which would take only hours where they now take weeks.

Then there is the open sore of overcrowded prisons while crime is on the increase. The first task should be to relieve the courts and prisons by an amnesty of petty first-time offences.

The second move should be stiffer sentences for violent crime ensured by full right of appeal for the prosecution. The third move must clearly be to give more power and more money to new prosecution services. It should be in full control of prosecution and not just a messenger boy of the police who discover that their brief is hopeless only after prosecution is under way.

Finally there should be a far-reaching decriminalisation of petty offences. Shoplifting, transport and other small frauds should attract a fine on the spot on the increase of a parking ticket and full use should be made of alternatives to prison which are already available for punishment of non-violent crime.

Labour camps rather than drug-infested smelly closed prisons should be used to acquaint those with custodial sentences with an alternative life-style and new skills. They would be cheaper to construct and to maintain—and to dismantle if the new policy is successful.

* Professor Atiyah: *Pragmatism and Theory in English Law*; Stevens & Sons 1987.

† Gillian Peele: *The Rule of Law in Britain today*; published by Constitutional Reform Centre, Hughenden Foundation.

Company Notices

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**NOTICE TO HOLDERS OF 15.5 PER CENT
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Notice is hereby given that in respect of the interest on the debentures for the period January 1 1987 to June 30 1987, warrants bearing the latter date will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about Thursday, June 18 1987 to debenture holders registered at the close of business on Friday, May 29 1987. For that purpose the transfer registers and registers of debenture holders will be closed from Saturday, May 30 to Saturday, June 13 1987, both days inclusive. Registered debenture holders paid by the United Kingdom Registrars will receive their interest in United Kingdom currency converted at the rate of exchange applicable on June 2 1987. Any such debenture holders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the transfer secretaries in Johannesburg or in the United Kingdom on or before Friday, May 29 1987.

In terms of the Republic of South Africa Income Tax Act, 1962, as amended, a withholding tax at the rate of 10 per cent will be deducted by the company, where applicable, from the interest payable to those debenture holders whose addresses in the registers of debenture holders are outside the Republic of South Africa. Interest amounting to R20 or less accruing in any one year is exempt from the tax.

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per H. E. Phillips
Divisional Secretary

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OF SOUTH AFRICA LIMITED**

per J. H. Perry
Companies Secretary

Registered Office:
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Johannesburg 2001
(P.O. Box 61587
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6 Greencoat Place
London SW1P 1PL
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GENERAL MOTORS CORPORATION

NOTICE IS HEREBY GIVEN that resulting from the Corporation's Declaration of a Dividend of \$1.25 (gross) per share of the Common Stock of the Corporation, payable on the 10th June, 1987, there will become due in respect of Bearer Depository Receipts a gross distribution of 6.25 cents per unit. The Depository will give further notice of the Sterling Equivalent of the net distribution per unit payable on and after the 15th June, 1987.

All claims must be accompanied by a completed Claim Form and USA Tax Declaration obtainable from the Depository. Claimants other than UK Banks and Members of The Stock Exchange must lodge their Bearer Depository Receipts for marking. Postal claims cannot be accepted. The Corporation's First Report for 1987 will be available upon application to the Depository named below.

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The Supervisory Board of GUERLAIN S.A. has given its approval today for the sale by several shareholders of approximately 15% of the share capital of GUERLAIN S.A. to LOUIS VUITTON. The proposal will be made at the Shareholders' Meetings of GUERLAIN S.A. and LOUIS VUITTON that both companies be represented at each other's Supervisory Board. The parties were assisted in this transaction by Maison Lazard.

Paris, 6th of May 1987
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NICOSIA RACE CLUB

Invitation for Consultant(s)

The Nicosia Race Club in Cyprus is in the process of evaluating tenders for the computerisation of its horse race betting operations and proposes to engage an external consultant to verify the report and recommendations of its local consultants.

Interested organisations and/or individuals with wide knowledge of and expertise in computerised totalisator systems are invited to apply in writing, enclosing curriculum vitae, to:

The General Manager, Nicosia Race Club
P.O. Box 1785, Nicosia, Cyprus
(Tel. 02 497806; Telex 4780 NRCLUB CY)

Interested organisations and/or individuals should have a
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Applications should be submitted not later than 13th June,
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COMMODITIES AND AGRICULTURE

Producers take a grip in cadmium market

BY STEFAN WAGSTYL, MINING CORRESPONDENT

CADMIUM PRICES have risen by 75 per cent in a month helped by efforts by European producers to take a tighter hold on supplies to the market.

Traders say that the producers have taken advantage of a market in which worldwide stocks have fallen to the lowest level for many years and demand is growing strongly.

Cadmium, refined as a by-product in zinc smelting, is used in plating and paint-making, and increasingly in nickel-cadmium rechargeable batteries.

The free market price has risen from about 90 cents a pound in early April to \$1.55-\$1.62 a pound this week, according to Metal Bulletin, the trade magazine.

Traders say Vieille Montagne, the Belgian metals group which is the world's largest cadmium producer, has stopped selling metal on the spot market in order to concentrate on expanding production of zinc-based products and has even bought metal from other producers. It is understood that other European producers have also restricted sales on the spot market.

A senior executive in Vieille Montagne's commercial department, denied yesterday that producers were in any way co-operating over cadmium pricing.

The only co-operation between European smelters was in a joint study, announced last month, by several companies into the possible future

consolidation of the European zinc industry, said Mr Schyns.

The companies publicly involved in the talks, which may lead to the closure of zinc, and therefore of cadmium, production capacity, are Vieille Montagne, Bolander, Sweden, Outokumpu of Finland, Penarroya of France and Preussag of West Germany.

The pattern of supply and demand has been moving in favour of higher cadmium prices for some time. Cadmium output last year rose by 4 per cent to 14,700 tonnes in the Western world according to the World Bureau of Metal Statistics. But consumption rose by 12 per cent to 15,500 tonnes, largely as a result of growing Japanese demand for metal for bat-

teries. Japan, once a net exporter, has recently been importing cadmium.

In addition, supplies from China, a big source of metal until last year, became very scarce and the country has had trouble fulfilling contracts.

As a result, stocks have fallen greatly—the statistics bureau says that producer stocks stood at 2,500 tonnes at the end of February, 40 per cent of what they were in the mid-1970s.

Traders say that, against this background, three factors triggered the price rise—recent Chinese failures to ship metal; a swing in favour of metal prices generally, especially precious metals; and the European producers' moves.

LME holds dry run of clearing system

By Stefan Wagstyl

THE London Metal Exchange, which is modernising its market, is today holding a full-scale practice run of the clearing system which will be brought into action on May 29.

The exchange, trading companies and the International Commodities Clearing House, which will run the system, are to process this year's first trades to test their procedures. Traders and exchange officials were crossing their fingers that everything would go well after months of intensive preparation.

The exchange is abandoning its century-old principal-to-principal market in favour of a cleared market in response to pressure from the Securities and Investments Board, the City regulatory watchdog.

Exchange officials originally hoped to have the new system in place in March. But the prolonged discussions with the SIB and within the LME over the precise form of the new market have delayed its introduction.

Meanwhile, the exchange has put forward to members its final draft plans for the reorganisation of the LME's management. This involves replacing the current two-tier structure in which authority is divided between a board and a committee, with a single managing board.

LME members have until May 21 to respond to the proposals before a general members' meeting on May 28. The new managing board is to be elected by July 10 and to start work on July 24.

In order to lift the threat of litigation arising from the tin crisis from the new body, a new company, called the London Metal Exchange Ltd, has been created to hold the exchange assets. The old company, the Metal Market and Exchange, which is being sued in tin crisis litigation, will stay in existence but will be dormant.

The £200,000-£300,000 needed to run the exchange to the end of December, ring-fencing (trading) LME members will be asked to contribute a suggested £10,000 each as a joining fee, clearing associate members £6,000 and other associate members £2,000. Thereafter money will be raised from annual subscriptions.

Euro-MPs back plans for EC oils and fats tax

BY QUENTIN PEEL IN STRASSBOURG

A BRITISH-LED attempt to vote down the European Commission's controversial plans for a tax on oils and fats, which opponents said could precipitate serious trade wars with the US and other suppliers, was defeated in the European Parliament yesterday.

The final decision on the tax is up to the Agriculture Ministers of the 12 member states, who meet again next week in another effort to agree on farm prices in the EC for the coming year. However, the vote in the Parliament suggests that the opposition lobby within the Community may be weakening.

The MEPs yesterday gave their broad support to the Commission's tough price strategy, rejecting a proposal that prices for cereals should simply be frozen, and accepting that they should actually be cut to reduce the current surpluses. They also supported the dismantling of the system of monetary compensatory

amounts (MCAs)—border taxes and subsidies—which cushion farmers against currency movements in strong currency countries like West Germany and the Netherlands.

The oils and fats tax, presented by the European Commission as a stabilising mechanism to bring balance back into the olive oil and other vegetable oils sector, has aroused fierce opposition both in the food processing industry, and amongst external suppliers of soybeans, mainly the US, and palm oil, like Malaysia and Indonesia.

The MEPs yesterday voted by 184 votes to 126 in favour of the measure, although they agreed to an amendment which would exclude fish oils, and leave only vegetable oils liable to it.

They also sought to have the best of both worlds, by insisting that the tax should not be passed on to consumers of products like cooking oil and margarine, but absorbed by the processing in-

dustry, and that the tax must be consistent with the rules of the General Agreement on Tariffs and Trade.

Sir Fred Catherwood, the Tory MEP who sought to coordinate opposition to the move, condemning the vote yesterday as "extremely dangerous".

Five EC member states oppose the tax in the Council of Ministers—Britain, the Netherlands, West Germany, Denmark and Portugal—and between them they command a blocking minority.

However, in the Parliament yesterday the Dutch members were notable for voting mainly in favour of it.

Sir Fred said the main opposition came from MEPs concerned about the international trade repercussions. "We cannot run the community on the basis of a farm lobby and have no regard for international trade," he said.

EC budget shortfall, Page 2

US stalls on subsidised wheat sales to Soviets

BY NANCY DUNNE IN WASHINGTON

THE US offer to sell 4m tonnes of subsidised wheat to the Soviet Union is running into difficulties over the terms of the sale and the level of subsidy.

The US Department of Agriculture rejected the terms of the Soviet tender for 1m tonnes of wheat, saying that the specification of 60.5 lbs minimum weight is not in keeping with the original export bonus agreement.

The standard for red winter wheat number two, the type of wheat sought, is 58 lbs a bushel. Still, the amount of the bonus amounts Tuesday evening, but the USDA refused to consider both the bid amount and bonus.

Reports circulated among traders that the department was seeking to stall the sale until prices declined in order to reduce the amount of subsidy that would have to be paid. Prices did, in fact, begin to decline after the bid, but the subsidy needed fell from \$52 earlier in the week to \$45 yesterday.

The cost of the subsidies is of particular concern. The cost of the subsidies is of particular concern. The department is getting seriously close to the \$11m limit Congress has budgeted for the export enhancement programme, under which subsidies are provided. This far, the crop "bonus" given to exporters to subsidise sales valued at \$67m.

At \$45 a tonne, a 4m tonne sale would bring the total subsidies to \$855m. The USDA still has several offers out to other customers and has been expected to make new offers of subsidies to China and Poland.

Congress pushed hard for subsidies and under ordinary circumstances could be expected to give the USDA additional funds for the programme. The bonus scheme also serves the purpose of off-loading some of the massive surplus, but the cost must be budgeted at a time when there is no room in the budget for more farm aid.

Japan's rice growers accept price cut

By Carla Rapoport in Tokyo

JAPAN'S FARMERS have agreed to accept a first cut in domestic rice prices in 31 years.

Japan has been under severe attack both at home and abroad for maintaining high levels of agricultural subsidies and maintaining a total ban on the import of rice.

Its politically powerful farmer's lobby, the Central Union of Agricultural Cooperatives, however, has long defended the government's position. Nonetheless, it now says that falling interest rates and three consecutive years of high harvests have lowered rice production costs.

It also says that criticism of Japan's rice prices, which are eight to 10 times the world price, had been another factor behind the decision.

Nonetheless, the union continues to argue that Japan must be self-sufficient in rice for security reasons and that farmers must be protected from foreign competition.

LONDON MARKETS

ZINC prices continued to slide from recent highs yesterday with LME values registering falls for the third day in succession. The cash positions \$10.50 fell to the aggregate to \$51, easily outweighing Monday's \$31 rise, which dealers now regard as an overreaction to news of a strike at Cominco's Trail/Kimberley complex in British Columbia. The market had fallen lower in the morning but steadied later as speculators began to cover forward sales. Dealers also noted signs of chart-based support at the lower levels. Copper and aluminium markets were also weak with cash aluminium losing all but 25p of Wednesday's \$23.75 rise on profit-taking and dollar-based Japanese selling. Japanese demand was weaker as a significant factor in the rise earlier in the week. Cash Grade A copper's \$11.50 fell to \$9.55. A tonne led many traders to conclude that the market had now lost its basic upward momentum and was unlikely to break through resistance areas some \$15 or \$16 above the current level.

LME prices supplied by Amstar Metal Trading.

ALUMINIUM

Official closing (am): Cash \$98.50 (1987), three months \$98.50 (1987), six months \$98.50 (1987). Final cash close: \$98.50. Turnover: 33,375 tonnes.

COPPER

Official closing (am): Cash \$98.50 (1987), three months \$98.50 (1987), six months \$98.50 (1987). Final cash close: \$98.50. Turnover: 33,375 tonnes.

COFFEE

Robusta traded in generally light conditions with a narrow range. Prices were steady, with a slight upward bias. The market was quiet, with a slight upward bias. The market was quiet, with a slight upward bias.

COCAOA

Having made the levels low, \$20 lower than the previous session, cocoa prices were steady, with a slight upward bias. The market was quiet, with a slight upward bias.

NICKEL

Official closing (am): Cash \$270.00 (1987), three months \$270.00 (1987), six months \$270.00 (1987). Final cash close: \$270.00. Turnover: 1,555 tonnes.

ZINC

Official closing (am): Cash \$270.00 (1987), three months \$270.00 (1987), six months \$270.00 (1987). Final cash close: \$270.00. Turnover: 1,555 tonnes.

TIN

Official closing (am): Cash \$270.00 (1987), three months \$270.00 (1987), six months \$270.00 (1987). Final cash close: \$270.00. Turnover: 1,555 tonnes.

SILVER

Official closing (am): Cash \$270.00 (1987), three months \$270.00 (1987), six months \$270.00 (1987). Final cash close: \$270.00. Turnover: 1,555 tonnes.

GOLD

Official closing (am): Cash \$270.00 (1987), three months \$270.00 (1987), six months \$270.00 (1987). Final cash close: \$270.00. Turnover: 1,555 tonnes.

RUBBER

Official closing (am): Cash \$270.00 (1987), three months \$270.00 (1987), six months \$270.00 (1987). Final cash close: \$270.00. Turnover: 1,555 tonnes.

POTATOES

Official closing (am): Cash \$270.00 (1987), three months \$270.00 (1987), six months \$270.00 (1987). Final cash close: \$270.00. Turnover: 1,555 tonnes.

MEAT

Official closing (am): Cash \$270.00 (1987), three months \$270.00 (1987), six months \$270.00 (1987). Final cash close: \$270.00. Turnover: 1,555 tonnes.

INDICES

REUTERS
May 14 May 15 % chg
1613.3 1616.4 198.5 12.4
(Base: September 18 1981=100)

DOW JONES
May 14 May 15 % chg
289.49 290.53 0.36 1.2
Spot 129.49/290.53 -128.66
Spot 129.49/290.53 -128.66
(Base: December 31 1981=100)

MAIN PRICE CHANGES

May 14 -4- or Month
1987 - ago ..

METALS
Aluminium Free Market \$108.00 -35 \$108.00/40
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Copper Cash Grade HH \$206.50 -21 \$206.50/40
Copper Cash Grade HI \$206.50 -21 \$206.50/40
Copper Cash Grade HJ \$206.50 -21 \$206.50/40
Copper Cash Grade HK \$206.50 -21 \$206.50/40
Copper Cash Grade HL \$206.50 -21 \$206.50/40
Copper Cash Grade HM \$206.50 -21 \$206.50/40
Copper Cash Grade

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Trade figures disappoint

THE DOLLAR finished on a weaker note following the release of US trade figures. These showed a March deficit of \$13.6bn which was down from the previous figure of \$15.1bn but a lot worse than some expected.

There was a general feeling that the size of the US deficit had reached its peak and that the shortfalls would narrow later this year. There was, however, no immediate acceptance since traders were unwilling to change market sentiment on the basis of one set of figures.

The dollar closed at DM 1.7870 down from DM 1.7800 and Y138.50 compared with Y137.70. Elsewhere it slipped to Sfr 1.4690 from Sfr 1.4710 and Ffr 5.9825 compared with Ffr 5.97. On Bank of England figures, the dollar's exchange rate index fell to 100.1 from 100.4.

Traders were unsure about the dollar's direction from now on. So much had been set store by the trade figures and traders were unwilling to make any clear decision about the dollar's trend.

STERLING—Trading range against the dollar in 1987 is 1.6825 to 1.7110. April average 1.6916. Exchange rate index 73.7 against 73.5 at the opening and 73.5 on Wednesday night. The six-month average figure was 68.2.

\$ IN NEW YORK

May 14	Latest	Previous
Spot	1.6860-1.6900	1.6890-1.6900
1 month	1.6840-1.6870	1.6860-1.6870
3 months	1.6740-1.6770	1.6760-1.6770
6 months	1.6640-1.6670	1.6660-1.6670

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

May 14	May 14	Previous
8.30	75.7	75.7
9.00	75.7	75.7
10.00	75.7	75.7
11.00	75.7	75.7
12.00	75.7	75.7
1.00	75.7	75.7
2.00	75.7	75.7
3.00	75.7	75.7
4.00	75.7	75.7

CURRENCY RATES

May 14	Bank of England	European Central Bank
Sterling	1.00	1.00
U.S. dollar	1.6860	1.6860
Canadian dollar	1.00	1.00
Australian dollar	1.00	1.00
Japanese yen	138.50	138.50
Deutsche mark	1.7870	1.7870
French franc	5.9825	5.9825
Italian lira	1.936	1.936
Spanish peseta	166.64	166.64
Portuguese escudo	200.48	200.48
Swiss franc	1.4690	1.4690
Belgian franc	36.36	36.36
Dutch guilder	1.836	1.836
Irish pound	0.7876	0.7876
Greek drachma	340.75	340.75
Israeli sheqel	1.8033	1.8033

CURRENCY MOVEMENTS

May 14	Bank of England	European Central Bank
Sterling	1.00	1.00
U.S. dollar	1.6860	1.6860
Canadian dollar	1.00	1.00
Australian dollar	1.00	1.00
Japanese yen	138.50	138.50
Deutsche mark	1.7870	1.7870
French franc	5.9825	5.9825
Italian lira	1.936	1.936
Spanish peseta	166.64	166.64
Portuguese escudo	200.48	200.48
Swiss franc	1.4690	1.4690
Belgian franc	36.36	36.36
Dutch guilder	1.836	1.836
Irish pound	0.7876	0.7876
Greek drachma	340.75	340.75
Israeli sheqel	1.8033	1.8033

OTHER CURRENCIES

May 14	Bank of England	European Central Bank
Argentine peso	2.4695-2.4710	2.4695-2.4710
Australian dollar	1.00	1.00
Belgian franc	36.36	36.36
Canadian dollar	1.00	1.00
Dutch guilder	1.836	1.836
French franc	5.9825	5.9825
German mark	1.7870	1.7870
Italian lira	1.936	1.936
Japanese yen	138.50	138.50
Portuguese escudo	200.48	200.48
Spanish peseta	166.64	166.64
Swiss franc	1.4690	1.4690
U.S. dollar	1.6860	1.6860

MONEY MARKETS

Confident tone in London

THE DOWNWARD TREND in London money market rates was renewed yesterday, in favourable reaction to the latest public opinion polls, giving the Conservatives a substantial lead over the opposition parties.

This boosted sterling on the foreign exchanges, and encouraged a downward drift in London interbank interest rates. Three-month money fell to 8 1/4 per cent from 8 3/4 per cent.

Mr James Baker, US Treasury Secretary, said he believed the recent rise in US rates was a temporary blip upwards, and

UK clearing bank base lending rate 9 per cent since May 8

yesterday's US trade figures were generally in line with most forecasts. Economists had predicted a March deficit of about \$13.6bn, compared with \$15.1bn in February, and the published figures of \$13.6bn had little impact on the market.

A fall of 19,000 in April UK unemployment was in line with expectations, taking the jobless figure down to slightly over 3m, or 10.9 per cent of the workforce, but added to the confident tone in the market.

The pound was boosted by two opinion polls which both showed a clear lead for the Conservative Party. In addition unemployment figures showed a small decline while average earnings figures were much in line with expectations. Continued resistance to a cut in interest rates by the authorities tended to add to sterling's attraction and it closed at \$1.6780 up from \$1.6715 and DM 2.9975 compared with DM 2.9925. It was also higher against the yen at Y234.10 from Y233.50 and closed elsewhere at Sfr 2.4650 from Sfr 2.4600 and Ffr 10.0050 compared with Ffr 9.98.

YEN—Trading range against the dollar in 1987 is 158.45 to 159.35. April average 158.58. Exchange rate index 258.5 against 258.2 six months ago.

Trading was relatively subdued in Tokyo as traders awaited the release of US trade figures. In addition there was a reluctance to sell dollars for a message from the Japanese Finance Ministry urging dealers to refrain from speculative trading in dollars.

The March trade deficit was expected to be slightly better than the previous month but a disappointing figure would put further downward pressure on the US unit. The latter closed at Y140.05 compared with Y140.15 in New York and Y140.15 in Tokyo on Wednesday.

NIIGERIAN NAIRA—In Lagos the naira slipped to 12.01 to the dollar at the latest auction, its lowest level for seven months. At the previous auction two weeks ago it had been fixed at DM 3.8989 and yesterday's rate represented a depreciation of over 63 per cent since the opening of exchange controls.

EMS EUROPEAN CURRENCY UNIT RATES

Country	Unit	Rate	% change
Belgium	Franc	42.4582	+0.50
France	Franc	42.4582	+0.50
Germany	Mark	2.05353	+0.49
Italy	Lira	1.936	+0.48
Netherlands	Guilder	1.836	+0.48
Spain	Peseta	166.64	+0.48
UK	Pound	0.7876	+0.48
Yugoslavia	Dinar	23.667	+0.48

POUND SPOT—FORWARD AGAINST THE POUND

May 13	Spot	One month	Three months	Six months	One year
US	1.6755-1.6790	1.6755-1.6790	1.6755-1.6790	1.6755-1.6790	1.6755-1.6790
Canada	1.00	1.00	1.00	1.00	1.00
Japan	138.50	138.50	138.50	138.50	138.50
Deutsche mark	1.7870	1.7870	1.7870	1.7870	1.7870
French franc	5.9825	5.9825	5.9825	5.9825	5.9825
Italian lira	1.936	1.936	1.936	1.936	1.936
Spanish peseta	166.64	166.64	166.64	166.64	166.64
Portuguese escudo	200.48	200.48	200.48	200.48	200.48
Swiss franc	1.4690	1.4690	1.4690	1.4690	1.4690
Belgian franc	36.36	36.36	36.36	36.36	36.36
Dutch guilder	1.836	1.836	1.836	1.836	1.836
Irish pound	0.7876	0.7876	0.7876	0.7876	0.7876
Greek drachma	340.75	340.75	340.75	340.75	340.75
Israeli sheqel	1.8033	1.8033	1.8033	1.8033	1.8033

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

May 14	Spot	One month	Three months	Six months	One year
US	1.00	1.00	1.00	1.00	1.00
Canada	1.00	1.00	1.00	1.00	1.00
Japan	138.50	138.50	138.50	138.50	138.50
Deutsche mark	1.7870	1.7870	1.7870	1.7870	1.7870
French franc	5.9825	5.9825	5.9825	5.9825	5.9825
Italian lira	1.936	1.936	1.936	1.936	1.936
Spanish peseta	166.64	166.64	166.64	166.64	166.64
Portuguese escudo	200.48	200.48	200.48	200.48	200.48
Swiss franc	1.4690	1.4690	1.4690	1.4690	1.4690
Belgian franc	36.36	36.36	36.36	36.36	36.36
Dutch guilder	1.836	1.836	1.836	1.836	1.836
Irish pound	0.7876	0.7876	0.7876	0.7876	0.7876
Greek drachma	340.75	340.75	340.75	340.75	340.75
Israeli sheqel	1.8033	1.8033	1.8033	1.8033	1.8033

EURO-CURRENCY INTEREST RATES

May 14	Short term	7 days	One month	Three months	Six months	One year
Sterling	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
U.S. dollar	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Canadian dollar	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Australian dollar	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Japanese yen	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Deutsche mark	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
French franc	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Italian lira	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Spanish peseta	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Portuguese escudo	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Swiss franc	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Belgian franc	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Dutch guilder	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Irish pound	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Greek drachma	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Israeli sheqel	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4

EXCHANGE CROSS RATES

May 14	£	\$	DM	YEN	Ffr	Sfr	Hfl	Lira	C\$	Bz
£	1.00	1.6860	2.9975	158.50	6.5548	1.9360	203.71	1.9360	1.7181	203.71
\$	0.5931	1.00	1.7181	93.82	3.7564	1.1036	120.36	1.1036	1.00	120.36
DM	0.3336	0.5825	1.00	35.48	1.4936	0.4803	5.3361	0.4803	0.5825	5.3361
YEN	0.0063	0.0107	0.0282	1.00	0.1558	0.0035	3.7564	0.0035	0.0107	3.7564
Ffr	0.1524	0.2663	0.7460	6.35	1.00	0.1524	16.66	0.1524	0.2663	16.66
Sfr	0.5175	0.8912	2.5596	24.75	1.9360	1.00	10.36	1.00	0.8912	10.36
Hfl	0.0049	0.0082	0.0231	0.0003	0.0003	0.0003	1.00	0.0003	0.0082	1.00
Lira	0.0052	0.0090	0.0256	0.0003	0.0003	0.0003	0.0003	1.00	0.0090	0.0003
C\$	0.5778	1.00	1.7181	93.82	3.7564	1.1036	120.36	1.1036	1.00	120.36
Bz	0.0050	0.0085	0.0244	0.0003	0.0003	0.0003	0.0003	0.0003	0.0085	1.00

FT LONDON INTERBANK FIXING

May 14	Overnight	One month	Three months	Six months	One year
£	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
\$	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
DM	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
YEN	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Ffr	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Sfr	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Hfl	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Lira	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
C\$	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Bz	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4

NEW YORK TREASURY BILLS AND BONDS

May 14	Overnight	One month	Three months	Six months	One year
£	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
\$	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
DM	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
YEN	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Ffr	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Sfr	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Hfl	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Lira	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
C\$	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Bz	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4

LONDON MONEY RATES

May 14	Overnight	One month	Three months	Six months	One year
£	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
\$	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
DM	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
YEN	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Ffr	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Sfr	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Hfl	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Lira	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
C\$	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Bz	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4

FINANCIAL FUTURES

Gilts and bonds disappointed

THERE WAS a little disappointment on the London International Financial Futures Exchange yesterday to economic news from Britain and the US.

It was noted that the opinion polls published in the UK yesterday were good for the Conservatives and therefore were expected to be encouraging for the market. The pound was firm and an overnight rally in US Treasury bonds also helped support long-term gilt futures, but dealers said this was short-lived.

June long-term gilt futures opened on 127.04 and traded within a range of 126.28 to 127.17, before closing rather weak at 127.04.

LIFFE LONG GILT FUTURES OPTIONS					
Strike	Calls—Last		Puts—Last		
Price	June	Sept	June	Sept	
120	7.02	7.42	0.00	0.50	
122	5.02	6.08	0.00	1.16	
124	3.04	4.49	0.02	1.57	
126	1.22	3.39	0.20	2.47	
128	0.22	2.38	1.20	3.46	
130	0.03	1.55	3.01	4.63	
132	0.00	1.21	4.62	6.29	
134	0.00	0.56	6.62	8.00	
Estimated price total		Calls	1.285	Puts	2.084
Premiums from the market		Calls	26.867	Puts	16.399

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 13 1987					TUESDAY MAY 12 1987					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	198 Low	Year ago (approx)		
Figures in parentheses show number of stocks per grouping													
Australia (94)	136.51	-0.1	122.86	129.30	2.77	130.61	123.05	128.70	136.61	99.92	91.77		
Austria (16)	128.52	-0.8	79.66	85.66	2.25	128.36	80.26	85.97	101.62	99.91	90.26		
Belgium (67)	121.07	-0.6	107.48	108.96	2.48	120.48	108.96	108.96	121.26	99.99	101.77		
Canada (131)	130.96	+0.0	116.17	126.96	2.35	130.99	116.29	126.68	136.17	100.00	99.98		
Denmark (39)	117.39	-0.4	104.09	107.69	2.68	117.98	104.56	107.69	124.10	98.18	101.11		
France (122)	120.05	-0.2	115.57	112.43	2.46	120.71	107.16	112.26	131.39	98.99	98.99		
West Germany (90)	94.35	-0.7	83.69	87.78	2.13	94.78	83.93	87.12	100.33	94.80	86.21		
Hong Kong (45)	107.95	+0.6	95.76	108.16	3.05	108.57	96.39	108.79	114.71	96.89	73.13		
Ireland (14)	129.85	+0.6	115.16	122.43	3.48	129.07	114.58	121.61	131.44	99.50	94.08		
Italy (59)	104.59	-0.3	92.73	101.63	2.63	104.55	92.70	101.63	112.11	94.76	90.77		
Japan (958)	158.33	-1.4	140.44	139.82	4.07	160.56	142.54	141.58	161.28	100.00	75.98		
Malaysia (36)	157.59	+1.5	139.79	150.04	2.33	155.26	137.83	147.66	157.59	98.24	70.16		
Mexico (14)	142.65	-3.3	144.01	216.55	1.01	167.59	148.74	225.11	171.27	99.72	70.21		
Netherlands (38)	117.79	-0.0	108.47	108.47	2.01	104.54	104.54	104.54	118.26	99.99	89.65		
New Zealand (27)	93.84	-1.7	83.24	86.40	3.14	95.42	84.71	87.73	100.59	83.93	67.03		
Norway (24)	132.64	-0.4	117.65	128.22	2.20	133.13	118.19	120.25	139.79	100.00	95.18		
Sweden (27)	132.26	-0.2	121.43	121.43	1.29	132.26	121.43	121.43	132.26	99.99	92.29		
South Africa (61)	171.72	-0.2	152.32	121.10	3.29	171.30	152.07	120.80	186.74	100.00	94.86		
Spain (43)	108.36	+0.5	96.12	100.10	3.97	107.80	95.71	102.29	121.31	99.00	99.29		
Sweden (33)	118.57	-1.1	108.00	109.87	2.11	119.65	106.22	110.75	124.68	99.95	97.01		
Switzerland (51)	100.35	-0.0	118.37	91.51	1.88	101.28	91.28	91.28	104.66	99.99	85.30		
United Kingdom (339)	144.41	+1.1	125.10	128.10	3.24	142.88	126.84	126.84	144.41	99.65	96.61		
USA (596)	120.30	+0.2	106.74	110.37	2.99	120.05	106.58	109.05	124.06	100.00	99.67		
Europe (932)	120.30	+0.5	107.25	110.37	2.85	120.35	106.84	109.84	120.90	99.78	93.52		
Pacific Basin (687)	120.30	+0.5	107.25	110.37	2.85	120.35	106.84	109.84	120.90	99.78	93.52		
Asia (1619)	141.82	-1.1	138.11	127.23	0.61	157.78	126.07	126.07	143.22	100.00	76.34		
Latin America (727)	120.96	+0.2	107.20	120.71	2.95	120.63	107.09	120.43	124.60	100.00	99.69		
World Ex. US (829)	141.77	-0.7	125.76	130.07	1.43	142.73	126.73	130.22	143.09	100.00	85.80		
World Ex. US (2652)	131.87	-0.6	117.19	124.78	1.97	131.87	117.19	124.78	131.87	100.00	99.99		
World Ex. Ex. Ex. (2560)	133.14	-0.4	118.10	124.78	1.97	133.13							

Series	May 67			Aug 67			Nov 67			Stake
	Vol.	Lot	Cost	Vol.	Lot	Cost	Vol.	Lot	Cost	
GOLD C	\$390	180	—	—	80A	—	—	—	—	\$461.40
GOLD C	\$400	180	62	—	—	—	40	77	—	—
GOLD C	\$420	140	—	23	47.50	—	60	60	—	—
GOLD C	\$440	379	—	24	—	—	28	36	—	—
GOLD C	\$460	267	3	14	27.50	—	36	36	—	—
GOLD C	\$480	74	—	39.50	17.50	—	28	36	—	—
GOLD C	\$500	—	—	109	—	—	85	21	—	—
GOLD C	\$520	—	—	—	—	—	—	16.30	—	—
GOLD C	\$540	—	—	—	—	—	—	—	—	—
GOLD C	\$560	—	—	—	—	—	—	—	—	—
GOLD C	\$580	66	0.10	11	96	—	—	—	—	—
GOLD C	\$600	2	—	—	—	—	—	—	—	—
GOLD P	\$480	100	21	2	25	—	—	—	—	—

ABN Bank	%	●	Chaparrone Bank	%	●	Margen Gossard	%
Adams & Company	9 1/2	●	Citibank, Md.	9	●	Met Credit Corp. Ltd.	9
Alfred Arabi & Co.	9	●	Clyde Merchant Bank	9	●	Hill Oils of Kuwait	9
Alfred Dunbar & Co.	9	●	Clydesdale Bank	9	●	MidWestIndustries	9
Alfred Irish Bank	9	●	Com. Bk. N. East	9	●	Northbrook Bank	9
American Exp. Bk.	9	●	Consolidated Credit	9	↑	Northwest Gen. Trust	9
Ameri Bank	9	●	Co-operative Bank	+9	●	Pacific Fin. Ind. (WFO)	10
Henry Backacher	9	●	Capital Lender	9	●	R. Prohman Trust Ltd.	11
ANZ Banking Group	9	●	Deutsche Paribas	9	●	Reichardt & Sons	9
American Bank Group	9	●	East. Trust	11	●	Rockwell Trustee	10 1/2
Arthur & Co. Ltd.	9	●	Equity Tr.† Yst/Tr p/c	9	●	Royal Bk of Scotland	9
Banco de Bilbao	9	●	Eastern Trust Ltd.	9 1/2	●	Santander	9
Bank Augustenborg	9	●	Financial & Gen. Sec.	9	●	Smith & Wynn Secs.	9
Bank Leumi (WFO)	9	●	First Nat. Fin. Corp.	10 1/2	●	Standard Chartered	9
Bank Credit & Comm.	9	●	First Nat. Sec. Ltd.	10 1/2	●	Trustee Savings Bank	9
Bank of Cyprus	9	●	Robert Fleming & Co.	9	●	UFG Mortgage Ag.	11 1/2
Bank of Ireland	9	●	Roberts Fraser & Piers	9	●	United Bk of Vienna	9
Bank of India	9	●	Guaranty Bank	20	●	United Hibernia Bank	9
Bank of London	9	●	Industrial Bank	9	●	United Trust Bank	9
Banking Belg. Ltd.	9	●	Guarantee Malabar	9	●	Wabash Bank Corp.	9
Barings Bank	9	●	HFC Trust & Savings	9	●	Wellington Ltd/Ltd	9 1/2
Beauchamp Trst Ltd.	9	●	Handels Bank	9	●	Yorkshire Bank	9
Beaufort Trst Ltd.	10 1/2	●	Heriberto & Gen. Trst.	9	●		
Bernhard Bank AG	9	●	Hill Samuel	9	●		
Birla Bk. of Mfd. East	9	●	C. H. Moore & Co.	9	●		
● British Sphair	9	●	Hongkong & Shanghai	9	●		
Business Wld. Trst.	9 1/2	●	Lyons Bank	9	●		
Caixa Bank, Madrid	9	●	Miami Western Ltd.	9	●		
Caixa de Pensiones	9	●	Milberg & Sons Ltd.	9	●		
Caisse Ltd.	9	●	Midland Bank	9	●		

● Members of the Accounts House Committee. † 7-24 deposits. 4%. Savings 6.65%
 Top Tier—\$2,500+ at 3 months rate 7.75% At call rates \$10,000+ remaining deposits & call deposits \$1,000 and over 4 1/2% 3-6 Months 4 1/2% Demand deposits 3.99%

Solution to Puzzle No. 6326

A	G	A	I	N	A	I	A	R	K	S
A	I	N	A	A	U	I				
A	P	A	N	A	S	A	S	O	B	B
O	S	O	S	O	A	K				
S	T	A	T	I	O	N	A	R		
E	W	R	O	N						
C	O	R	C	E	N	G	E	R		
A	N	D	E	S						
P	R	O	C	R	O	G	E	R		
P	E	V	N	E						
R	E	S	T	A	T	I	O	N		
N	R	I	L	I	R	A				
S	T	E	A	T	H					
R	I	N	S	N	V					
Y	O	N	D	E	R					

[illegible]

$$3351 + 11 = 3362$$

FTU

ملکة عن الأصل

FT UNIT TRUST INFORMATION SERVICE[illegible]**LONDON SHARE SERVICE****BRITISH FUNDS—Contd****FOREIGN BONDS & RAILS—Contd**

High	Low	Stock	Price	+ or -	Yield	High	Low	Stock	Price	+ or -	Yield	High	Low	Stock	Price	+ or -	Yield
100.02	99.97	Shorts* (Lives up to Five Years)	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(1)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(2)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(3)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(4)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(5)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(6)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(7)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(8)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(9)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(10)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(11)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(12)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(13)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(14)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(15)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(16)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(17)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(18)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(19)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(20)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(21)	136.7	135.4	Gen Tech 98s	136.7	0.05	8.88
100.02	99.97	Tru Sec 98	100.02	0.05	8.88	131.1	129.7	Tru Sec 98	131.02	-	(22)	136.7	135.4	Gen Tech 98s	136.7	0.05	8

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

AMERICANS—Continued									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
CANADIANS									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
BANKS, HP & LEASING									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
BEERS, WINES & SPIRITS									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
BUILDING, TIMBER, ROADS									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
BUILDING, TIMBER, ROADS—Cont.									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
CHEMICALS, PLASTICS									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
DRAPERY AND STORES—Cont.									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
ELECTRICIANS									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
ENGINEERING—Continued									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
INDUSTRIALS—Continued									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
INDUSTRIALS—Continued									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
FOOD, GROCERIES, ETC.									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
HOTELS AND CATERERS									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
INDUSTRIALS (Misc.)									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197
INSURANCES									
High	Low	Stock	Price	Ch	Vol	High	Low	Stock	Price
197	197	197	197	197	197	197	197	197	197

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CLASS - CONT.

MINES Continued[illegible][illegible][illegible]

Stock	Price	%	Div	Yld	P/E
Abelton Group 10s	34 1/2	-10	3.5	2.7	39.3
Abelton Inds Per 100	12 1/2	-	3.5	2.5	41.3
Abelton Inds Per 100	12 1/2	-	3.5	2.5	41.3
Catalyst Comm. 5s	22 1/2	-	3.5	2.5	41.3

Exigents (Ht 1-50)	32	—	—	—	—	—	—	—	—
Dr. Warrants	22	-2	—	—	—	—	—	—	—
Public Works Ht 1-50	32	—	—	—	—	—	—	—	24.9
These Holdings	32	—	—	—	—	—	—	2.9	—
Units Group	123	—	—	—	—	—	—	—	10.13

[illegible][illegible]

	7Mar+2	Feb. 13% 7/02	5/19-1
ELB+2	8	Arenas	234
ELB+2	8	CPI High	5
ELB+2	8	Carroll Index	33-15
MST+1	11	Duhig Inc.	18
	11	Hart Int'l & P.	16
	11	Highway Wldg.	100
CR001	11	Wells Fargo	140

TRADITIONAL OPTIONS	
3-month call rates	
35	NEI
40	Kaz West Bk
47	P & O Dfd
42	Playtex
12	Polly Pack
39	Racal Elect
10	RHM
47	Rank Org Ord
48	Reed Intl
62	STC
25	TSB
57	Tenn
2	Univ

23	Trust Houses	24
25	Turner Newall	26
29	Unilever	150
35	Vickers	55
20	Wellcome	50
80	Property	
18	Brit Land	17
116	Land Securities	30
40	M&P	30
100	Peachey	30
85	Q&S	
30	ROs	
15	SOM	31
50	Brit Petroleum	60
50	Burnish Oil	30
80	Charterhall	4
45	Premier	4
25	Shell	75
40	Trigonal	17
48	Ultramar	15
55	Mines	

feil_____ 36 Rio T Zinc_____ 64
 _____ 36 Lohm_____ 65
 London Stock Exchange Report Page.

US buying of oil stocks features firm equities while Gilt-edged stocks turn lower

PORT AND LATEST SHARE INDEX: TEL. 01-246 8026

softened a couple of pages to 88p, 211p and Table 7 down to 543

The following is based on trading volume for Alpha Securities dealt through the SIFRA system yesterday until 5 pm.

RISES AND FALLS, YESTERDAY			
	Rises	Falls	Same
Aluminum	1	1	0
Automobiles	1	1	0
Chemicals	1	1	0
Electric	1	1	0
Food	1	1	0
General	1	1	0
Health	1	1	0
Home	1	1	0
Insurance	1	1	0
Iron	1	1	0
Leather	1	1	0
Metals	1	1	0
Oil	1	1	0
Paper	1	1	0
Pharmaceuticals	1	1	0
Shoes	1	1	0
Textiles	1	1	0
Tobacco	1	1	0
Transportation	1	1	0
Wool	1	1	0

هذه احدى الاصل

ALTIMES
Business Newspaper
New York

هكذا عن الأصل

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

[illegible]

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/E	100s	High	Low	Class	Change	Stock	Div	P/E	100s	High	Low	Class	Change	Stock	Div	P/E	100s	High	Low	Class	Change
AT&T	1.20		244	25	140	145	+	Di Ind								Rock							
AT&T	1.20		244	25	140	145	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							
Adm. Serv.	0.40		4	5	3	3	+	DWG								Regan							

OVER-THE-COUNTER

Nasdaq national market, closing prices

[illegible]

Continued on Page 37

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FINANCIAL TIMES

— Europe's Business Newspaper —
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FINANCIAL TIMES

WORLD STOCK MARKETS

Improved trade figures fail to inspire buying

WALL STREET

FAILING to respond to the reduction in the US trade deficit, Wall Street stock and bond markets continued to drift in tandem yesterday, writes Roderick Oram in New York.

Although the \$13.6bn deficit in March was in line with forecasts, the longer term trend for US trade performance remains unclear. The dollar held steady on the news while bonds showed modest losses.

The Dow Jones industrial average closed down 4.19 points at 2,324.49. Blue chips lagged behind the rest of the market for the first time in three days. The Standard & Poor's 500 index added 0.25 to 294.23 and the New York and American stock exchange composite indices edged up 0.06 to 165.76 and 0.35 to 336.83.

NYSE volume of 152m was the lowest in 10 days with an almost equal number of stock rising as falling.

In contrast to the blue chips, the Dow Jones transportation index set a record for the second day. Boosted by railroad and airline stocks it rose 8.56 to 978.05.

Among its components, AMR, parent of American Airlines, added 5/8 to \$58. Burlington Northern rose 1/4 to \$74. Santa Fe added 3/4 to \$44. Delta Air Lines advanced 5/8 to \$53.34. US Air gained 5/8 to \$45.

Takeover speculation continued to push a number of stocks. Allegis added 1/4 to \$14.10 despite the news earlier this week that Boeing, down 5/8 to \$45.5, was taking a 14 to 16 per cent shareholding in Allegis as part of a deal to sell aircraft to Allegis's United Airlines subsidiary.

General Mills rose a further 3/8 to \$54.4 after a \$8 jump on Wednesday as rumours continued that RJR-Nabisco, up 1/2 to \$51.4, was considering a bid for it.

International Controls gained 3/8 to \$43.9. IOC Acquisition Corp raised its bid for the electronics and aerospace group to \$42.50 from \$32 a share and extended its offer to all the company's common shares.

General Electric gained 1/4 to \$105.4. It installed its own executives at the top of Kidder Peabody, the Wall Street investment dealer it acquired majority control of last year.

Brokerage shares were mixed yesterday despite the setback for the government's apparent diffi-

culty in bringing insider trading cases. It dropped charges against three Wall Street executives. Salomon Inc fell 5/8 to \$33.7. E. F. Hutton added 5/8 to \$38.4. PaineWebber gained 5/8 to \$31.4. Morgan Stanley slipped 5/8 to \$74.4 and A. G. Edwards was off 5/8 to \$50.7.

Among stocks, Royal Dutch Petroleum jumped 5/8 to \$134 after reporting a small decline (in sterling terms) in profits in the first quarter and British Petroleum added 5/8 to \$71.4.

Credit and foreign exchange markets responded little to the March merchandise trade figures released yesterday morning. The deficit of \$13.6bn was in line with forecasts but showed hardly any improvement from the average of January (\$12.3bn) and February (\$15.1bn).

The US deficit with Japan was virtually unchanged with no prospects, judging from Japanese figures already released, of an improvement in April.

Bond prices drifted in a narrow range slightly below the previous day's close. The 8.75 per cent new Treasury benchmark long bond finished the day off 1/8 of a point at 100.4, close to its low for the day, yielding 8.72 per cent. Three-month Treasury bills rose about 25 points.

CANADA

OIL AND METAL shares held firm in busy Toronto trading but weakness in most other sectors restrained overall gains.

Dome Petroleum shed 8 cents in busy trade to C\$1.30 before the meeting at which shareholders gave their verdict on the Amoco takeover proposal.

Also in oil, Gulf surged C\$1.4 to C\$23.9 after Wednesday's higher first quarter results. Shell Canada put on C\$3 to C\$48.4.

Metals also featured, with Inco up C\$4 to C\$25.34, Falconbridge C\$3 higher at C\$23.4 and International Corona up C\$3 at C\$43.4. Golds, however, fell back.

Montreal gained slightly. Vancouver fell back.

SOUTH AFRICA

THE RISING bullion price and renewed investor confidence lifted Johannesburg stocks strongly yesterday, with the industrial index edging up 10 points to a new high of 1,941.

Combined with the strength of gold shares, the overall index was also at a record, up 6 to 2,410.

Among leading golds, Vaal Reefs rose R10 to R435 and Randfontein added R5 to R475. Platinum was little changed, but diamond stock De Beers moved ahead 50 cents to R41.

Industrials saw Barlow up 25 cents at a new high of R26.50.

Alan Cane on a computer which gives stock answers

Race to provide UK 'talking prices'

BRITISH Telecom, the UK's dominant telecommunications supplier, and Telephone Information Services (TIS), a tiny UK information vendor selling weather forecasts and horse racing results, are locked in battle for the lion's share of a new and potentially lucrative market for low-cost share price information.

Both announced their new services at midday yesterday. Both had altered their planned launch dates to avoid being upstaged by the other.

The British Telecom service, Citycall Portfolio, an extension to its existing Citycall phone-in price service, and TIS's TeleShare, for its £25 registration fee provides a tone generator, a small key pad which makes a conventional telephone behave like a touch tone model.

Touch tone/voice response systems have been used extensively in the US. Dow Jones, for exam-

ple, provides share prices over such a system and Dun & Bradstreet operates a voice response credit clearing service.

Its use in the UK has been limited by the lack of touch tone telephone handsets, but the Trustees Savings Bank two weeks ago launched a home banking service based on the technology.

British Telecom and TIS are using different systems, although the basic technology is similar. Yesterday, they were trumpeting the individual merits of their services. British Telecom claims to be cheaper with a £25 registration fee and £25 yearly subscription.

TeleShare costs a one time fee of £25 plus £25 annual subscription but it is faster than Citycall and provides special messaging services for professional advisers and corporate clients.

EUROPE

Brussels hits record as political crisis recedes

CORPORATE news and domestic developments determined the mood in European bourses yesterday. Belgian shares rose to a new peak as worries over the linguistic row receded.

Brussels picked up strongly although relatively thin trading exaggerated movements. The stock exchange index gained 37.11 to a record 4,063.74 when a temporary surge in the language solution emerged and the immediate threat to the Government diminished.

Underlying investors' relief, market leader Petrofina rose Bfr 22.5 to Bfr 11.75, breaching the 11,000 level for the first time.

Royale Belge was unchanged at Bfr 8,000 following French insurer UAP's purchase of a 4.8 per cent stake to help Belgian companies war off Axa, another French insurer.

Elsewhere, Reserve added Bfr 5 to Bfr 3.750 and Sofina gained Bfr 22.5 to Bfr 14.350.

Milan recovered to a mixed to firmer close on the first day of the new trading month, although some investors remain cautious in the run-up to elections in a month's time.

The Government's move to lift the restriction on purchases of foreign securities appeared to have

LONDON

GOOD company news and bullishness over opinion polls showing strong pre-election support for the Thatcher Government spurred the London equity market to record territory. The FTSE 100 index climbed 16.6 to a new peak of 2,180.9, while the FT Ordinary index gained only 3.7 to close at 1,884.2.

Gilt calls in slack trade although optimism over interest rates continued to give the market support. Details Page 26.

Little immediate impact.

Frankfurt trading was dominated by Deutsche Bank's one-for-five rights issue and share prices generally turned lower while many investors were sidelined. The easier dollar provided an unhelpful backdrop and the Commerzbank index lost 11.3 to 1,788.3.

Deutsche Bank finished DM 13.50 lower at DM 625.50. Co-chairman F. Wilhelm Christians said operating profit fell in the first quarter and securities business declined as expected. The sector was generally weak, with Commerzbank and Dresdner both DM 4 lower at DM 260 and DM 327.

The chemical sector tended easier but losses were trimmed by BASF's modest rise in first quarter results which followed Bayer's improvement on Wednesday. BASF was off DM 3.90 to DM 279. Bayer lost DM 4.30 to DM 306.50 and Ecolab eased DM 1.70 to DM 282.50.

Bonds were again lower and the Bundesbank bought DM 155.6m worth of paper after selling DM 9.2m on Wednesday.

Amsterdam was mixed with Royal Dutch's first quarter results providing the main focus in a market awaiting the US trade figures. Royal Dutch added Fl 8 to Fl 285.10.

Unilever rose Fl 2.80 to Fl 47.80. Alkermes rose Fl 2.80 to Fl 597.80 and Alkermes was unchanged at Fl 133.80.

Paris fell back further on profit-taking with sentiment dampened by the dollar outlook, interest rates, a strike by the communist led CGT federation, and inflation. French retail prices rose 0.5 per cent in April after a 0.1 per cent rise in March.

Zurich was mixed to lower in quiet trading, with banks and insurers coming under selling pressure. Madrid pursued its rally as lower jobless figures and hopes of a better inflation rate provided a lift.

Stockholm was little changed.

Unlisted stocks will avoid Oslo tax

THE OSLO Government made clear yesterday that its controversial plan to impose a two per cent share turnover tax will apply to all stocks listed on the bourse and to all Norwegian investors, writes Karen Fosli in Oslo.

But under the proposal, due to be published in the revised budget today, foreign investors who trade through non-Norwegian brokers will not be affected, nor will unlisted companies.

When the plan was leaked last week, the Oslo bourse went into its steepest nosedive for at least four years. Shares have since picked up and yesterday the index rose 0.68 to 318.45 in thin trading.

A bourse spokesman said yesterday that overseas investors were responsible for the recent increase in activity in a previously "dormant" stock market.

"If foreigners trade in Norway they will be taxed like Norwegians, so this will have an effect on the volume traded outside Norway."

The spokesman also believed that if the proposal is agreed by parliament - and the Government has high hopes it will be - then two different markets could be created, one for shares traded outside Norway and one for those traded domestically by Norwegians.

In addition, companies might take the view there was something to be gained from not being listed, and that's ridiculous, because those companies will not be controlled," he said.

Amsterdam aims to rival London

By Laura Ruen in Amsterdam

AMSTERDAM's stock exchange, which already lists more foreign shares than domestic ones, is energetically promoting trade in overseas stock in a bid to compete with London as Europe's share dealing centre.

The bourse is beginning with its Japanese connection. Its chairman, Baron Boudewijn van Haren, has said he wants to make Amsterdam the European centre for Japanese equity, and the bourse already quotes more Japanese stocks than any exchange outside Tokyo.

The exchange is now forging ahead with plans for a trading link between Amsterdam and Tokyo. A representative office was recently set up in Tokyo to speed up the job of linking yen-denominated trading in 24 Japanese stocks, two of which were listed in Amsterdam earlier this year.

Three of Japan's leading brokerage houses - Nomura, Daiwa and Yamaichi - have also joined the Amsterdam exchange with the understanding they are there to help foster trade.

Amsterdam is also seeking to boost trade in US shares and, again, the bourse lists more US stocks than any exchange outside America.

A representative office was set up last year in New York to draw more US companies to the bourse and three brokerage firms, Merrill Lynch, Prudential-Bache Securities and Drexel Burnham Lambert, are expected to join the bourse soon.

The Dutch capital is touting itself as a key European link in increasingly global securities trading. A quotation in Amsterdam, it is argued, plus the home market can provide virtually 24-hour dealings given time differences. The bourse has accepted foreign members for years.

While London, already a bigger international financial centre than Amsterdam, is just as eagerly seeking a larger share of the global securities business, the Dutch capital believes it can compete.

The stock exchange points, for instance, to its streamlined Amsterdam Security Account System (ASAS), in which foreign shares are traded in the same settlement system and dividend payments.

The physical stock stays in the country of origin and a computerised book entry is made in Amsterdam - a system which is claimed to be simpler than using bearer certificates.

ASAS also costs so that share prices are "almost identical" to those of the home market of the quoted foreign company, while dealing is faster and cheaper than going to the home exchange, the bourse says.

At the moment, however, volume in foreign securities still accounts for only 3 per cent of overall turnover on the exchange, although ASAS dealings jumped by 30 per cent last year.

Yen optimism spurs rally to fresh high

TOKYO

BLUE CHIPS and stocks related to domestic demand led a broad rally in Tokyo yesterday which took the Nikkei average to a record high, writes Shigeo Nishiwaki of Jiji Press.

Large-capitals were cheaper, however, as institutions neglected the stocks.

The market barometer of 225 select issues rose 288.25 to 24,531.44, surpassing the previous high of 24,608 scored on Monday. Volume was 1.18bn shares, compared with Wednesday's 1.13bn. Gainers far outpaced losers 614 to 282, with 114 issues unchanged.

The Finance Ministry's unusual request for financial institutions and trading houses to refrain from speculative foreign exchange deals caused stock prices to plunge on Wednesday. But buying accelerated yesterday as investors judged that the yen's stability at the present rate of over 140 to the dollar would benefit the Japanese economy.

Export-oriented blue chips advanced accordingly. Many such companies have been struggling to break even at an exchange rate of 130 to the dollar, and investors think an exchange rate of over 140 should sharply improve profits. Investment trusts' purchases also helped them up, market analysts said.

Nissan Steel topped the actives with 90.10m shares changing hands, finishing Y9 higher at Y418. But buying of other large-capital stocks was low. Nippon Steel retreated from first to fourth on the list with 30.28m shares traded, losing Y5 to Y373. Nippon Kokan dipped Y3 to Y334.

Matsushita Electric Industrial gained Y30 to Y1,880, and TDK and Victor Co. of Japan (JVC) added Y70 each to Y3,850 and Y2,030, respectively. Fuji Photo closed Y30 higher at Y2,940 and Nippon Kogaku Y35 up at Y780.

Construction was also in demand, with Taisei Corp. jumping Y100 to Y1,280 and Obayashi Corp. Y70 to Y1,280. Among housing-related stocks, National House Industrial and Daiwa House continued to rise, posting increases of Y130 to Y2,130 and Y90 to Y2,470, respectively. Shokusan Jutaku registered a daily limit advance of Y100 to Y1,050.

Marubeni rose Y28 to Y588 and Mitsubishi Corp. Y90 to Y1,610. Mitsu and Co. was Y17 up at Y932.

NTT continued to slide, falling Y20,000 to Y2,980m.

The bond market remained turbulent. Prices opened cheaper after a newspaper reported that the Bank of Japan is considering measures to cool off the bond market, which is increasingly marked by speculative trading.

The yield on the 5.1 per cent government bond, due in June 1988 rose sharply to 2.655 per cent from

Wednesday's 2.580 per cent at the start but fell to an all-time low of 2.550 per cent on later buying.

The yield turned up again when Nomura Securities was reported to have cancelled buy orders worth several hundreds of billions on the Tokyo Stock Exchange and 2.605 per cent in inter-dealer trading.

SINGAPORE

STRONG BUYING by institutional and small-scale investors pushed Singapore share prices to their third successive record close with volumes also reaching a new high. The Straits Times industrial index climbed 24.42 to the new peak of 1,204.94 in a peak turnover of 79.7m shares compared with Wednesday's 72.6m.

Despite scattered profit taking, demand remained firm for both blue chips and more speculative issues. Gains outpaced losses by 144 to 47 with 158 shares unchanged.

Hotel share Ming Court led advances by adding 52 cents to S\$4.52. Singapore Airlines again moved ahead, by 30 cents to S\$14.10.

HONG KONG

A LATE buying spree pulled Hong Kong prices higher after a choppy session peppered with profit taking. The Hang Seng index closed up 20.39 to 2,853.92.

Financials were perked up by a Hongkong Bank report giving a rosy prognosis for the sector. Hongkong Bank itself added 20 cents to HK\$34.25, while Bank of East Asia gained 30 cents to HK\$32.30 and Hang Seng Bank stayed at HK\$37.75.

Hutchison, trading ex-dividend, ex-rights and ex-stock split, fell HK\$10.75 to HK\$46.75. Cheung Kong was steady at HK\$41.25.

Elsewhere, Hongkong Electric added 20 cents to HK\$14.30 and Hong Kong Telephone 10 cents to HK\$12.80.

AUSTRALIA

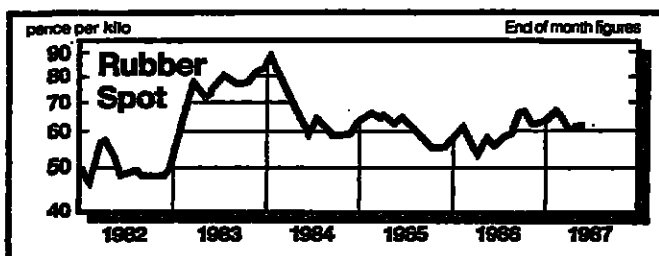
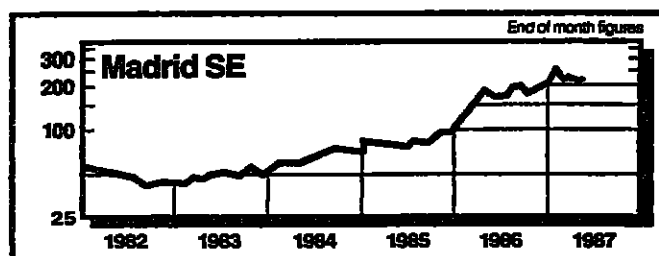
WEAKER OVERNIGHT metal prices and a fall in overseas buying left Sydney prices slightly easier, although the market found some support from a favourable reaction to the Government's economic statement on Wednesday and a cut in the Central Bank's main indicator interest rate.

A further damper was market disappointment at Westpac Banking's 8 per cent reported fall in first half operating profit.

The share fell 14 cents to A\$5.08. The All Ordinaries index closed 0.6 off at 1,948.5.

Gold prices suffered from news of the coup in Fiji, where Australian companies are exploring. Emperor fell 80 cents to A\$9.10. Diversified miners also weakened. BHP fell another 15 cents to A\$10.15.

KEY MARKET MONITORS



STOCK MARKET INDICES			
	NEW YORK	Previous	Year ago
DJ Industrials	2,324.49	2,320.58	1,828.28
DJ Transport	978.05	967.48	788.43
DJ Utilities	203.82	205.61	182.70
S&P Comp.	284.24	283.98	237.54
LONDON FT			
Ord	1,884.2	1,880.5	1,302.6
SE 100	2,180.9	2,183.4	1,594.3
Air share	1,086.94	1,078.68	779.69
A 500	1,215.05	1,208.27	854.48
Gold mines	420.8	421.4	244.3
A Long glt	8.83	8.83	8.03
World Act. Ind.	133.42	133.02	88.67
TOKYO			
Nikkei	24,531.44	24,333.19	15,843.7
Tokyo SE	2,166.45	2,156.17	1,257.80
AUSTRALIA			
All Ord.	1,948.5	1,948.4	1,222.4
Metal & Mins.	1,249.3	n/a	461.7
AUSTRIA			
Credit Aktien	188.32	188.59	259.83
BELGIUM SE			
	4,063.74	4,022.80	3,642.03
CANADA			
Toronto	2,955.3	2,970.3	2,062.0
Metals & Mins.	3,852.9	3,829.7	3,077.3
Portfolio	1,908.21	1,907.80	1,581.87
DENMARK SE			
	204.30	202.04	
FRANCE			
CAC Gen	448.80	452.10	408.1
Ind. Tendance	112.30	113.0	95.25

CURRENCIES (London)			
	US DOLLAR	STERLING	
May 14 Previous	1.6790	1.6715	
May 14 Previous	1.6790	1.6715	
DM	1.7870	1.7900	2.5975
Yen	138.82	138.70	224.25
FF	5.9225	5.97	10.005
FF	1.4280	1.4710	2.465
FF	2.0135	2.0165	3.3775
FF	1.228	1.22450	2.1830
FF	37.05	37.15	62.05
FF	1.3385	1.3390	2.1248
INTEREST RATES			
	3-month	6-month	1-year
US Treasury	8 1/8	8 1/8	8 1/8
US Fed funds	8 1/8	8 1/8	8 1/8
US 3-month T-bills	8 1/8	8 1/8	8 1/8
FINANCIAL FUTURES			
	May 14	May 14	May 14
US Treasury Bonds (CBT)	102.57	102.57	102.57
US Treasury Bonds (CBT)	102.57	102.57	102.57
US Treasury Bonds (CBT)	102.57	102.57	102.57
COMMODITIES (London)			
	May 14	May 14	May 14
Silver (spot)	\$16.55	\$16.55	\$16.55
Copper (cash)	\$35.50	\$35.50	\$35.50
Coffee (Arab)	\$130.00	\$130.00	\$130.00
Oil (Brent)	\$18.75	\$18.75	\$18.75
GOLD (\$/oz)			
	May 14	May 14	May 14
London	\$469.75	\$469.75	\$469.75
Paris (Bling)	\$469.10	\$469.10	\$469.10
Lucembourg	\$468.85	\$468.85	\$468.85
New York (June)	\$468.60	\$468.60	\$468.60

DOLLAR WORRIES RESTRAIN FOREIGN INVESTORS IN BONDS AND SHARES

UK turnover falls back in April

BY TERRY BYLAND IN LONDON

TRADING LEVELS in both UK Government bonds and ordinary shares fell back last month as renewed uncertainties over the US dollar trimmed participation by overseas investors.

However, the last days in April saw a revival in business as UK base rates were reduced and markets sensed an imminent UK general election.

Turnover in all securities, including equity and fixed interest, fell 23 per cent to £126

SECTION III

FINANCIAL TIMES
SURVEY

Spain's largest and traditionally most underprivileged region, whose flamenco, bullfighting and tourism

have created the predominant image of Spain as a whole, Andalusia's quality of life has improved greatly since gaining political autonomy. However, David White reports, the reality does not yet match its 21st century aspirations as . . .

California
of Europe

YOU COULD consider Andalusia a privileged part of the world. Certainly the Moors who were here for almost 900 years thought so. Presumably several hundred thousand British, German, Scandinavian and other foreign home-owners think so. Enough of the millions of holidaymakers who flood in each year must think so. And there are farmers who would not exchange their land here for land anywhere else.

But for northern Spaniards the first association they make with Andalusia is as an underprivileged region. The conspicuous wealth visible on the coast and in the Guadalquivir valley is only one side of it. Despite tourism, this largest of Spanish regions—bigger than Scotland—is still one of the poorest. For the 6.5m population there are another 2.5m who were born in Andalusia but live and work elsewhere, half of them in the industrial belts of Catalonia. In the villages, poverty is rarely obvious, but it is much more so in the outskirts of the main cities. The official unemployment rate is over 30

per cent, more than any other region. The figure may overstate the real number without work, but then it does not include a further 9 per cent or so who are farm workers employed only part of the year. Nowadays these agricultural day-labourers can qualify for some state benefit. Otherwise, their situation has scarcely changed this century. Europe's only radical peasant movement still vents its anger from time to time—though less often than before—on cotton-picking machines, in the way that threshing-machines were destroyed in England 150 years ago.

It has become popular to talk of Andalusia either as the California of Europe, because of its farm-based potential (where else produces strawberries in February?), or the Florida of Europe, because of its still-growing leisure industry (where else has 14 golf courses in 70 miles, as there are on the road going west from Malaga?). But if there is a good US comparison,

it would be more with the Deep South. The coming-to-office of Mr Felipe Gonzalez as Spanish Prime Minister four and a half years ago, with his small group of fellow Sevillian socialists, could thus be compared with Mr Jimmy Carter's arrival at the White House in 1976. Now that the main right-wing opposition party, Popular Alliance, has found its own young Andalus lawyer, Mr Antonio Hernandez Mancha, to take over its leadership, the corridors of power in Madrid echo with southern accents. But this does not mean the region feels any more cen-

tral in the affairs of the nation. The staging of a universal exhibition in Seville in five years' time for the 500th anniversary of Columbus's discoveries is aimed at helping to change that. The event implies a much larger investment effort than Barcelona's Olympic Games the same year. The region's chief officials see it enabling Andalusia "to become known in Europe." On the surface, this might seem a strange concern. The region has, after all, been a target of tourism since the romantic era, and accounts for a large part of the image most

people have of Spain (flamenco, bullfighting, white villages). But that image, often caricatural (fiery-eyed cigarette girls clenching roses between their teeth), contains along with its notions of pride, passion and tradition a distinct taint of backwardness. Andalusia needs another image to sell for the 21st century. It stands to benefit from Spain's entry last year into the European Community perhaps more clearly than any other of the country's 17 regions. Although the experience of the Community has been that the gap between central and

peripheral regions has tended to widen rather than to narrow, Andalusia has much in its favour. It can claim a large share of Community aid, including for training. It has few old industries vulnerable to competition, and has considerable growth potential, particularly in agribusiness. In agriculture its strengths are not in Community-subsidised sectors but in products that few other areas in the Community can provide or that other areas cannot provide at the same time of year. Mr Jose Rodriguez de la Borbolla, the 40-year-old President of the Junta (regional govern-

ment) is confident that inside the Community "we are better off than we were." Andalusia's retarded development has more to do with historical and social causes (a feudal landholding structure, the absence of a business-minded bourgeoisie to keep up the momentum of early industrialisation) than with shortage of resources. It always had mineral and farming wealth, but it was usually outsiders who took advantage of them. The mines of Penarroya and Rio Tinto have given names to French and British companies. The sherry families are of predominantly British origin.

Investment programmes under the Franco regime brought large-scale industry, but this had only local impact, was mostly in sectors such as petrochemicals that then ran into crisis, and reinforced the sensation of depending on decisions made in Madrid. Five years ago Andalusia joined the Basque country, Catalonia and Galicia as one of the regions to get a head start of devolution. It obtained its autonomy statute thanks partly to pressure from an emergent "Andalusista" party, which its founders claim to have been the only really novel political movement to surface in Spain in the early post-Franco years. This party, starting out quite far to the left but later moving towards the centre, had at one stage seven seats in the Madrid congress, but then collapsed as swiftly as it had risen.

The Region, which provided the first wave of the country-wide movement that swept the Socialists to power in 1982, can still be considered the party's strongest fortress. But it is also one of the few parts of the country where the Communists have been recovering ground. Municipal elections being held next month could bring one or two nasty surprises for the Socialists, who currently run seven of the nine main towns. Their majority in Granada and even in Seville—Mr Gonzalez's home town—is in some danger.

The 1982 exhibition is being used as a kind of lure to keep expectations up. Probably some of the hopes vested in the event are exaggerated, but it does have an important bearing both on the way the region sees itself and on its infrastructure. Seville in Columbus' time was one of the main cities of Europe,

and became (albeit for a short period) the centre of new world commerce. But not since Julius Caesar will it have been through such an urban renewal as is planned now. Among the new facilities will be improvements to transport networks. The railways, always one of Andalusia's principal handicaps, are being revamped under a Madrid government programme, a priority of which is a new route that will cut the Madrid-Seville journey by half.

The Andalusian cause was cleverly taken over by the Socialists under Mr Rafael Escudero, an attractive figure who had a brief career at the head of the Junta. His successor Mr Rodriguez de la Borbolla, nicknamed "Penole," was confirmed in power in the region's second election last year.

An exception among Spain's socialist leaders in that he comes from a political family—his great-grandfather was a minister of grace and justice and mayor of Seville—Mr Rodriguez de la Borbolla sees the country evolving towards a federal system on West German lines. Autonomy, he says, has gone a long way towards building a sense of unity between the region's eight provinces.

Since gaining autonomy, he says, considerable improvements have been seen in the quality of life in rural areas, in education, health, housing, electrification and sewerage. The regional government is frequently criticised, however, for being unwieldy. One leading businessman says the bureaucracy is "the same as before, only slower."

"1992" has become a magic word. On the hoardings around Seville, almost every advertisement tries to relate its product to the event.

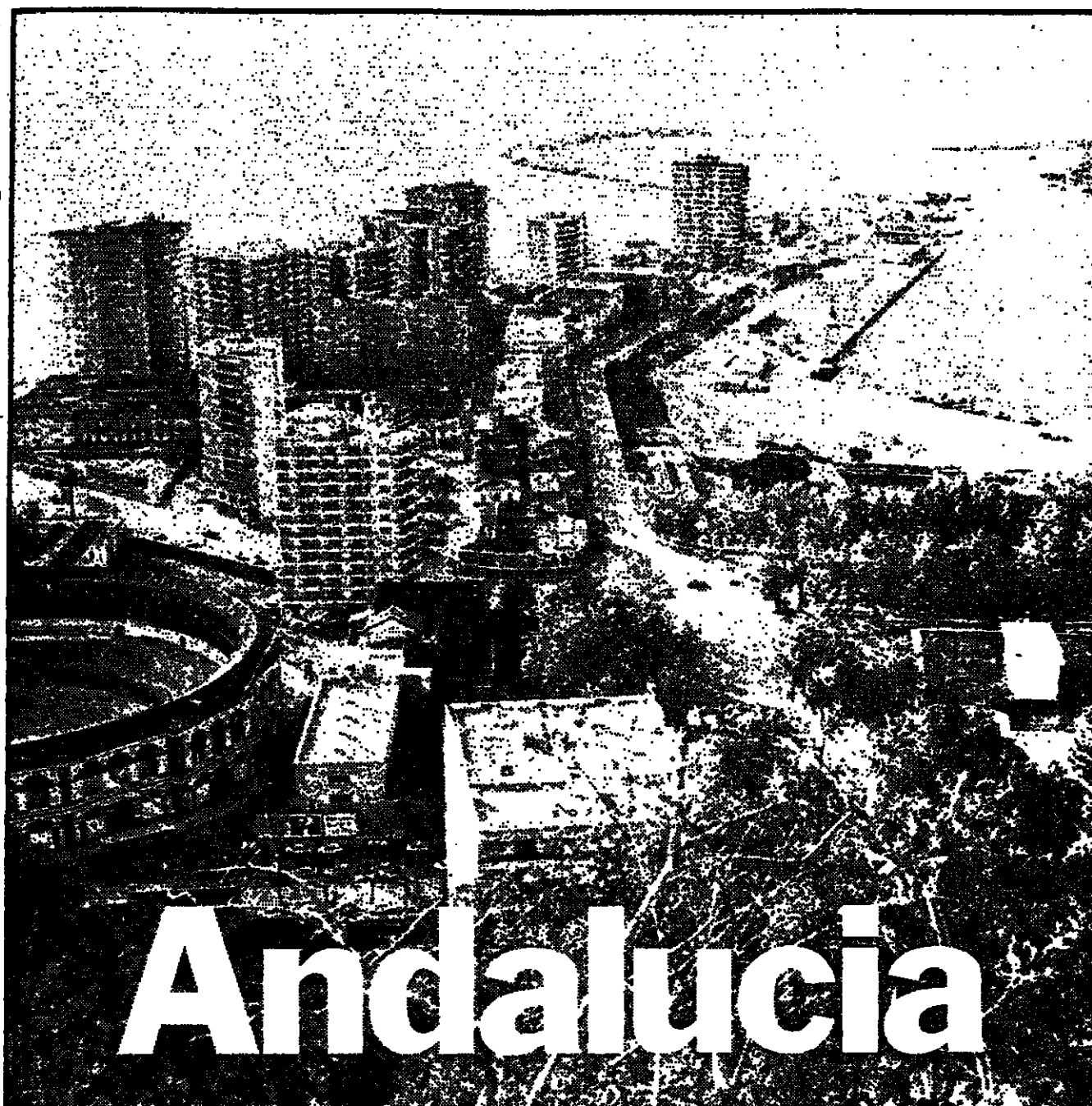
It will also be the 500th anniversary of the year the last Moorish territory, Granada, fell to Spanish rule. But the reconquest, with all its implications (the mass religious repression which led to the expulsion of unconverted Muslims and Jews), is not being celebrated. In recent years there has been a growing effort to recuperate the heritage of the civilisation that flourished before the reconquest. There is all the more reason, since a large part of subsequent history in the south has been a tale of lost opportunities.

David White

Friday May 15 1987

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Andalusia

The port area of Malaga, on the Costa del Sol, one of Andalusia's largest ports

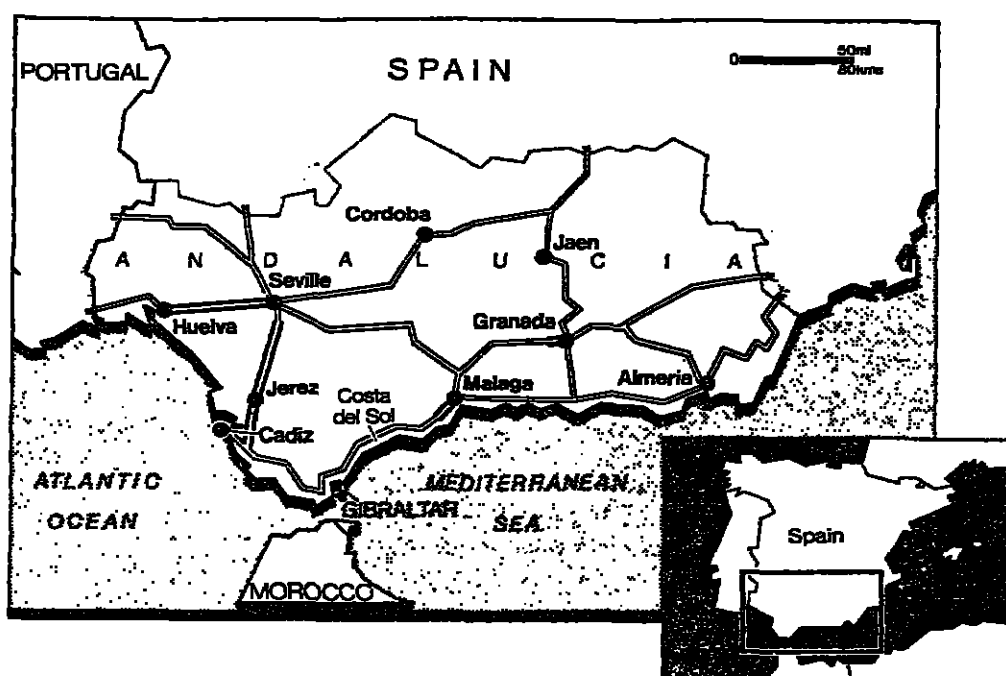
ANDALUCIA:
DOOR AND BRIDGE
BETWEEN CONTINENTS.

JUNTA DE ANDALUCIA

ANDALUCIA 2

Socialist Government land reform laws have weakened rather than strengthened peasants' power, reports David White

Land structure stays cause for complaint



IN THE same way that "wine routes" are signposted through French vineyard regions, a "route of peasant revolt" could be drawn to the south of the lower Guadalquivir river—a 250-mile tour through huge farm estates and townships which have become notorious for occupations and hunger strikes.

The route could start out southeast from Seville to Utrera and El Coronil, through Moron de la Frontera, where the US has a standby air base, up on to the main Malaga road to Osuna and Estepa, off on the right to Gilena and Pedrera, and on the left to Marineda, on the olive-growing borders of Seville and Cordoba provinces. A deceptively prosperous-looking village, with neat municipal flower beds and a playground along its Avenida de la Libertad, Marineda has won fame as one of the most politicised communities of southern Spain, led by its mayor, an austere bearded schoolteacher called Juan Manuel Sanchez Gordillo.

This is home ground for the

rural workers' union (SOC), a radical organisation unique among the agricultural unions of modern Europe. Rooted in a tradition of southern anarchism, it has kept up a campaign for land reform, with a recent admixture of ecologist and pacifist policies. Its president is a parish priest.

The main road leads on to the hill district of Antequera, site of the first compulsory takeover orders made under a controversial 1984 agrarian reform law, and so far held up by endless challenges in the courts.

From there, the route turns back west along the road to Cadiz, through the cotton plantations and more battlefields of the peasant movement.

Andalusia has 200,000 landless farm labourers receiving state support for at least part of the time they are not working. The big farmers say they could do without them, and that it would be cheaper to mechanise their farms more. But the jornaleros (day-labourers) are a fact they have to live with, as is

the political necessity for the region's Socialist authorities to make some gesture towards meeting long-standing demands for land reform.

The 1984 law is one of the few changes under the Socialists in Spain that evokes the radicalism of pre-civil war days. It was the first of its kind since a reform decreed in 1932 which would have affected 8,000 landowners and more than a quarter of Andalusia.

Today's landholding structure is much the same as it was, with big estates of 200 hectares (494 acres) or more—1.4 per cent of the region's farms—occupying more than half the farmland. However, for the Andalusian Government, the days of land reform as it used to be thought of, in the sense of a share-out of property, are long gone.

"We started from the idea that an agrarian reform for the end of the 20th century, with advanced technology, makes no sense if it is just a redistribution of land," says Mr Miguel Manaute, the man in the hot seat

as agriculture councillor of the Junta (Regional Government). Under the law, actual ownership is not called into question unless the land is "manifestly abandoned." The aim instead is to recuperate badly-used land by temporarily taking over farming rights and handing them over to co-operatives, under contract. The programme falls short of demands made by SOC and the Communist Workers' Commissions Union which has also been militating strongly in the countryside. The unions complain that the areas earmarked so far for are the worst farmland to be had.

In Antequera 12 estates, with a combined area of 8,000 hectares, were earmarked for takeover on the grounds that, by objective local standards, they were grossly under-farmed. Two of the estates, covering 2,500 hectares, were described as "without agricultural use." Proprietors included the Marchioness of Cauche and her sister, absentee owners of what a local Communist leader called "one of the last feudal bastions of Andalusia."

The ruling called on the owners to rent out the land for 12 years. After that period, they would be entitled to resume using their land but would have

to pay for improvements made in the interim.

Mr Manaute says he knew there might be legal problems, since the law came when regional government was still in the process of becoming established in Spain, and there was insufficient jurisprudence on the matter.

Series of appeals against the law and the means of applying it

Ownership is not called into question unless the land is "manifestly abandoned." The aim is to recuperate badly-used land by temporarily taking farming rights.

have succeeded in holding up the programme. However, the constitutional court turned down an Opposition appeal against the reform law itself in March, and the Junta now plans to press ahead with the next stages in the conflictive Estepa-Osuna region and in Cordoba province.



Andalusian farmer driving his mule, near Seville

But it is clear that for the Junta the purpose of the law serves is more to wield the threat of punishment than to carry it out. According to Mr Manaute, it has already provoked many proprietors to invest in their farms, switching to more intensive crops, increasing fruit and vegetable production, in some cases planning processing facilities, in order to justify themselves.

"We have to find a kind of land use that combines the most up-to-date technology and generating as many jobs as possible."

The big farmers' organisations object that this policy is pushing them towards "production for production's sake" and leading to distortions in the sector.

They are continuing to fight the reform programme all the way down the line. But despite the bitter battle in the courts, the issue has been kept separate from their other dealings with the Administration. Mr Manaute describes relations as "reasonably friendly."

The SOC and Workers' Commissions are meanwhile intent on keeping up the pressure on behalf of landless peasants. The precarious situation of the jornalero, "hired by the day, by the

month, by the season," is much as the late Gerald Brenan described it in *The Spanish Labyrinth*, published shortly after the civil war (in fact, some 8,000 workers from other farms actually declined after the war).

A typical jornalero in Cadiz province might start in the beet fields, where he would work on and off between May and August. In September he could count on 20 days' work in the vineyards, and then move on to work scheme. Paco Casero, a prominent SOC figure, complains of fraud in many towns. Thousands take special trains to qualify for payouts. He reckons that out of 18m-20m workdays claimed, between 1.3m and 2m are fraudulent, and that many beneficiaries do not depend on their activities as farm-workers.

The system also means that many labourers take on work more in order to clock up days—than for the wages they receive, he says, and tend to complain less about conditions for fear of not being called on again.

"Employers have more power now than they used to have 10 years ago," Mr Casero claims.

according to union leaders, the strawberry-growing zone of Huelva Province, which has become a boom area, takes on some 8,000 workers from other parts. Although their pay is set at Pta 2,300 (just over £11) per day, monthly take-home earnings after deductions for board and lodging are about Pta 30,000 (£145).

SOC leaders like the new benefit system little better than they did the old community work scheme. Paco Casero, a prominent SOC figure, complains of fraud in many towns. Thousands take special trains to qualify for payouts. He reckons that out of 18m-20m workdays claimed, between 1.3m and 2m are fraudulent, and that many beneficiaries do not depend on their activities as farm-workers.

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"Employers have more power now than they used to have 10 years ago," Mr Casero claims.

David White

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FUJITSU

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ANDALUCIA 3

The sherry industry has emerged from some years of self-doubt, apparent loss of direction, and unwelcome publicity, satisfied the future is now rosy.

Jerezanos confident again

IF THE administrative map of Andalusia were to be redrawn there would be a strong case for carving out a new autonomous community called Sherry, much like that of Rioja in the north, which would have the town of Jerez as its undisputed capital.

Although jurisdictionally part of Cadiz the land of the amontillados and the olorosos is a self-sufficient island where families with foreign sounding names such as Domecq, Terry and Sandeman rule the roost and where every waking moment is devoted to the greater glory of, as well as the continual drinking of, the local product.

The Jerezanos instinctively feel they are a separate, closely-knit community. Twenty years back, despite their proximity to Seville, they built themselves their own airport.

They pay fanatical homage to their own bullfighters and flamenco stars they consider their own horses and bulls second to none, and when they take a vacation they move just a little bit out of town to the Puerto de Santa Maria or to Sanlúcar for the Jerezanos world starts and ends within sight of his beloved vines.

After some years of self-doubt, of apparent loss of direction, of unwelcome publicity and of tensions, the bodegas are once more self-satisfied, even smug, confident that the future is rosy for the unique monoculture of Jerez.

Issues such as that of British sherry are mere minor irritants compared with past problems that included a production glut, declining markets, a bout of mergers and acquisitions, with multinationals in the forefront, and, worst of all, the debilitating expropriation of the Rumsa Industrial holding, founded by local man Jose Maria Ruiz Mateos, which had bodegas as its cornerstone.

The so-called "Plan Jerez" has succeeded in reducing the 1978 peak of 22,000 hectares devoted to sherry to a manageable level of 18,000 in 1986. Trade insiders say that the present level permits the sherry firms to build up stocks and to develop potential markets.

Talk of opening up untapped markets is in itself new language. The sherry exporters had concentrated on fighting a rearguard action to maintain their traditional bastion in Britain. Now they look to Japan and, somewhat illogically, they claim that a people that has taken to drinking coffee should rapidly embrace sherry.

Britain, which imported 60 million bottles of sherry last



Sampling the vintage at Bodega Guerrero (the home of Dry Sack sherry).

year, is, together with Holland, the prime mature market for the trade. Exports to Britain have slid down from a 70m bottle high in 1976 but the sherry exporters believe that the decline has levelled out. British sherry ("it is neither British, nor sherry") snorts one Jerezano, has done its worst to undermine the genuine product and the trade believes that the damage can now be contained.

Holland, where there is no British sherry competition, imported 45m bottles last year. It is the most stable of all Jerez's markets with the highest per capita consumption of sherry in the world.

West Germany, the most rapidly growing of all Jerez's markets, could, however, overtake both Britain and Holland within the next decade. Over the past 12 years sherry consumption in West Germany has increased fourfold. Exports in 1986 to West Germany totalled 30m bottles. By the mid 1990s, the figure may be 60m.

Aside from the Japanese ambitions the current bullishness of the sherry exporters is best illustrated by the determination to break into France and Italy. The two countries respectively imported last year 500,000 and 700,000 bottles—a total that the Jerez trade considers to be disgraceful.

The marketing strategy for the Italian and particularly for the French markets aims at pushing sherry not as an aperitif but as a wine to be drunk at meal times. Fino should be on the table to accompany fried fish and shell fish, oloroso seco and amontillado should be drunk with game, and creams and browns should be served with desserts.

Such sanguine views on the future reflect the security to the sherry trade that has come with multinational penetration of the bodegas. Grand Metropolitan, Allied Lyons, Seagrams and Hiram Walker lie behind the recognisable brand-name families of Terry, Domecq, Sandeman and the rest.

Ownership of sherry is now on a secure footing, in contrast to the volatile situation 20 years ago when Mr Ruiz Mateos began his ill-fated climb to the top.

A measure of the new won confidence is that rumours that Mr Ruiz Mateos is starting again at the beginning, and buying up small bodegas, are treated with good humour by the trade. "Why shouldn't Ruiz Mateos have his winery," says one exporter, "he's a Jerezano after all."

Tom Burns

Seville's Expo 92 to celebrate discovery of America

Columbus quincentennial promises richer legacy

SOME TIME next month a flotilla of Caterpillar trucks and cranes will start work along the right banks of the Guadalquivir river as it flows through Seville. This will be the first visible evidence of a project which could have as great an effect on the administrative capital of Andalusia as did the arrival of the first gold-laden galleons from the New World.

If present planning holds good it will take visitors 10 days and 45 miles worth of walking to get round the Seville Universal Expo which will commemorate the quincentennial of the 1492 discovery of America by Christopher Columbus.

Business should make a note too. Total expenditure for the exhibition itself, which Spaniards have come to know simply as Expo 92, stands according to the current book-keeping at \$550m of which \$209m is earmarked for construction and installation. The budget for operating costs stands at \$220m.

Graced with the thematic title of "The Age of Discovery", the Seville happening in five years time will be the first universal exhibition held in Europe since that of Brussels in 1958 and the first anywhere in the world since the 1970 Osaka edition.

The directors of Expo 92 quickly point out that the beautified, At a cost of \$140m Vancouver Exhibition last year, which was three times smaller than the one planned for Seville, and the Brisbane one next year, which will be five times smaller, are what the Paris-based Bureau International des Expositions terms specialised exhibitions and there in a different, lesser category than the likes of Brussels, Osaka and Seville.

The Seville exhibition will bring together, on present estimates, between 60-65 participating countries, each with its own pavilion, some 10-12 international organizations and a further 15 odd multinational corporations. Spain, as host country, will have its own mega pavilion and a further 17, one for each of the state's autonomous communities. Well briefed in comparative statistics, the organisers say that Expo 92 will be the same size as the Brussels Exhibition and two thirds that of Osaka.

Depending on the pricing policy which has still to be



decided and on the success of advance sales Expo 92 expects to attract between 22m and 28 m visitors, of whom at least 35 per cent will be non-Spanish. On current estimates income and revenue will total \$497m, leaving the exhibition organisers with a deficit of \$53m.

Officials and exhibition organisers do not, however, talk in terms of deficits. Expo 92 is spoken of as the definitive face-lift for the city of Seville and as the undisputed catalyst for the development of the peninsula's southern belt.

Seville will certainly be beautified. At a cost of \$140m the main railroad station will be moved away from its present site in the banks of the Guadalquivir, and the railway line ripened up, to allow the city times smaller, are what the Paris-based Bureau International des Expositions terms specialised exhibitions and there in a different, lesser category than the likes of Brussels, Osaka and Seville.

The Expo 92 site will be a result of a sort of Mesopotamia between the two flows of the Guadalquivir. This double water front is conceived as eminently appropriate to the quincentennial celebrations. The centre piece of the exhibition will be, again very suitably, the XV Century convent of Santa Maria de las Cuevas where Columbus lived for a time and where he was temporarily buried. The convent, which will serve as Expo 92's Royal Pavilion and VIP reception area, is being restored at a cost of \$8m.

Seville and Andalusia will

particularly benefit from vastly improved communications. Included in the Expo 92 package are a major remodelling of Seville airport which will allow it to handle up to 4m passengers a year, five times the present amount, a new highway linking Madrid and Seville and a new railway track routing which will cut the rail time between the two cities by 50 per cent to a little over three hours.

The regional transport infrastructure will receive a badly needed revamping. An international bridge will by 1989 link Huelva's Costa de la Luz with Portugal's Algarve across the Guadiana river. A new highway will connect Seville, via Granada, to the Mediterranean motorway which in turn links up with the European freeway system and a second new highway will cut road travel time between Seville and Malaga to under two hours.

All told the infrastructure package will require an outlay of \$4bn on present estimates. Some 200,000 jobs will be created over the next five years either directly or indirectly linked to Expo 92.

The actual legacy value of the Expo 92 site construction is estimated, in terms of value, at around \$160m. Officials say that a permanent High Tech park will be the real legacy together with the transport development, a hugely improved leisure and tourism industry, a network of joint capital ventures and a considerable inflow of foreign capital—Columbus, 500 years ago, had also promised, and delivered.

Tom Burns

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ANDALUCIA 4

As demand for out-of-season fruit and vegetables grows, says David White

EC entry boosts farm export boom

Farm sector production					
Product	1982	1983	1984	*1985	†1986
Vegetables	70.6	73.2	104.2	116.1	112.3
Olive oil and related products	35.4	37.2	39.7	96.7	71.7
Cereals	52.8	26.0	81.7	81.4	83.2
Industrial crops	46.5	44.9	65.7	69.5	84.8
Fruit (including citrus)	-7.8	30.0	33.1	37.1	43.3
Wine and related products	12.5	15.2	13.8	15.5	15.3
Meat and livestock	43.4	41.7	52.7	61.2	67.9
Dairy	15.8	16.2	19.8	26.8	27.2
Eggs	8.0	9.0	9.3	10.5	8.6
Forestry products	7.4	6.8	9.6	12.2	13.1
Miscellaneous	48.5	52.1	71.7	81.3	70.8
TOTAL	368.8	402.3	501.3	608.3	598.2

* Provisional.

† Estimated.

Source: Agriculture Department, Junta de Andalucía.

AS THE road climbs down from the remote and backward Alpujarras region, the view over the town of El Ejido seems like a mirage. The impression of floods covering the plain between there and the sea turns out to be just sunlight reflecting on sheets of plastic, miles and miles of plastic.

This treeless area, a bulge on Spain's south eastern coast, within sight of the snowcapped Sierra Nevada, used to be little more than seasonal pasture land. It is now the country's

biggest concentration of hot-house agriculture. Twenty-tonne trucks thunder down El Ejido's one main street.

Here and on the other side of Almería town a whole new economy has flourished since the first private and public initiatives were launched during the 1960s and tap underground water resources. Using drip irrigation techniques, fruit and vegetables are grown in a top layer of sand under plastic sheeting stretched on poles, preventing evaporation and keeping ground temperatures up.

Sheltered from northerly winds, and enjoying 3,000 hours of sunshine a year, this new farming phenomenon has become known as the "Almería miracle." Together with recent tourist development, the forcing-houses have lifted this arid, back-of-beyond province up from the bottom of the national wealth table. Further along the southern coast other bonanza zones have sprung up—most recently on the Atlantic coast of Huelva.

From this part of Almería alone an average of about 90 trucks a day leave for EEC export markets. But perhaps the most striking aspect is that from the end of July to the end of September, when most European farmers are hard at work, Almería takes a holiday.

Here everything is geared to producing out of season: tomatoes from December to March, cucumbers and peppers from October to January, melons and watermelons from April to June.

This new side to the agriculture of Andalucía—a region where traditional dryland products (olives, cereals, wine) still carry a lot of weight—stretches in an almost continuous strip as far as Málaga, nowhere more than about seven miles wide. In the south of Granada and Málaga provinces, the tomatoes and cucumbers give way to subtropical fruit: avocado pears, medlars, pawpaws, guavas, custard-apples. Other varieties such as mangoes are being grown on an experimental basis.

Further west in Huelva, 2,000 hectares are given over to strawberries. Growth in this sector has been both spectacular and speculative, with farmers imitating each other to cash in on the boom, apparently oblivious to the question of how much the market can absorb, but so far riding high.

Almería, by contrast, already

has 10 years' experience of tackling the market seriously. Jerónimo Molina, manager of Almería's export organisation Coexphal, says that exports, which account for about 30 per cent of production, have pulled up the rest of the sector in terms of their marketing approach and quality. Direct contact with EEC markets has created "a new mentality," he says.

Comparing standards to those for instance, of the avocados now being grown in the south of Granada, he admits: "In the first years, quality was as bad here."

Physically cut off from western Andalucía, Almería can be seen more as an extension of the Levante region. The Valentines have a strong trading tradition, and in Almería they have learnt by emulation. Last year, according to Coexphal, the province exported 244,000 tonnes of farm produce and this year's exports are expected to reach 300,000 tonnes.

Since it is already geared to selling in the EEC, the sector is little affected by Spain's entry into the Community from last year, which in any case includes a 10-year transition period for fruit and vegetables.

Where is the limit to expansion? "Whatever the market limit is," says Mr Molina. Some areas have run into water problems, suffering from excess salinity as a result of sea-water seepage. But, he says, the problem is "not generalised" and more water resources can be marshalled.

The development of new areas, however, has been held back after a run of drought years up to 1984. Emphasis is being placed instead on increasing productivity and improving techniques. Some hope has been placed on the use of solar energy for heating systems, although with little result so far.

In a province where agriculture still provides 40 per cent of jobs, the plastic revolution has played a big role in absorbing labour. The farms, typically very small (one or 1½ hectares), are mostly family-run.

The most conspicuous, and notorious, exception is the Quana, whose headquarters, resembling an airport control tower, stands up above the plain near El Ejido. It has had, to say the least, a chequered history.

It started out as a real estate project, Tierras de Almería, aimed at selling plots of hot-house farm land to returning emigres—a sort of agricultural equivalent of the holiday-home "urbanisations" that dot Spain's Mediterranean coastline. When this failed, its promoters tried to launch it on big-company lines with a computer-controlled operation.

The Pharaonic project was backed by Banco Garriga Nogues, a small Barcelona bank



New potatoes for northern Europe being fertilised near Motril.



A fine crop of peppers (capsicum) grown under polythene along the Mediterranean coast between Almería and Motril.

linked to the Banesto Group. In the end, it was instrumental in provoking a crisis at the bank, forcing Banesto to come to the rescue and absorb it.

Planned to extend to 2,000 hectares (700 hectares of which are now actually in operation), the produce project ran into financial difficulties. Stakes were sold two years ago to Arab and other shareholders but the deals were subsequently unmade. Banesto, now in charge, was left having to sort out accumulated losses of Pn17.6bn (€85m).

Experts say that because of the type of work involved, the hot-house business is difficult and potentially expensive to run with outside labour, and therefore tricky for big companies. The sector is expected to continue to be based on smallholdings, grouped together in marketing and supply co-operatives.

The auxiliary business that has grown up in farm supplies—plastic, irrigation equipment, seeds and so forth—is expected to spawn a new small-industrial sector. According to regional industry experts, farmers themselves have shown considerable interest in ventures of this kind. Mr Molina at the export organisation believes Almería has to do all it can to develop its range of expertise in order to consolidate the sector.

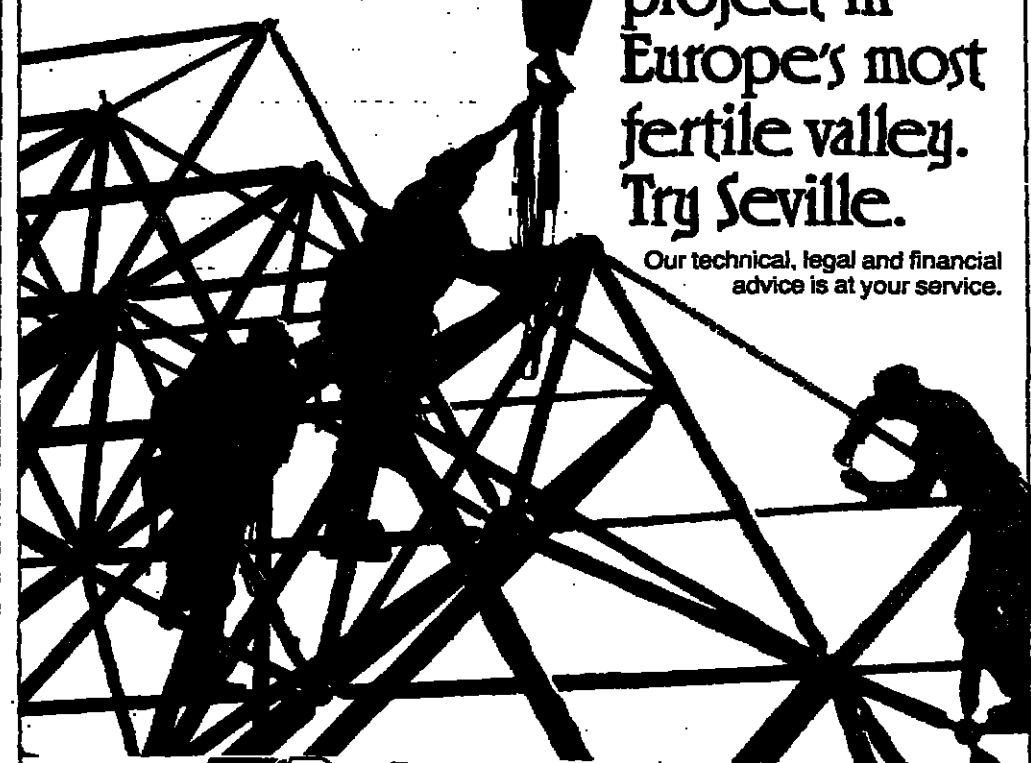
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Industry

Infrastructure problems inhibit growth

THE COSTA DEL SOL: Spain's south Wales? No, but it could almost have been. It is a curious fact for today's beachgoers to ruminate on that the first blast-furnaces in Spain were built in the 1830s, at Marbella.

The steelworks thrived as long as northern Spain was caught up in the Carlist wars. Then the industry declined. In textiles, Andalusia went through a similar story of industrialisation, then de-industrialisation.

The region's industrial deficiencies today are patent. Take Seville marmalade. Andalusia has all the ingredients, including the sought-after bitter oranges, but Spain imports marmalade from the UK. The region produces most of Spain's olive oil, but some of the best virgin oil is sent in bulk to Italy to be bottled and exported as up-market Italian.

Although it has a wide range of manufacturing activities from petrochemicals to aircraft assembly, Andalusia has little industrial clout. It has the rare distinction of having a university housed in a factory building (Seville's magnificent 18th century tobacco factory), but lacks the strong entrepreneurial class that made the wealth of the Basque country of Catalonia and provided jobs for Andalusian emigres in these regions.

Only about 15 per cent of jobs in the region are in manufacturing, against some 25 per cent in agriculture—the reverse of the situation in Spain as a whole. Andalusia has been largely spared the pain of the industrial "reconversion" programme undertaken in Spain since 1983, since it had little overmanned industry to convert.

Trouble has only really come in the last year, over lay-offs at the partly British-owned Rio Tinto copper mines in Huelva province and, more recently and violently, over an uncertain future for shipbuilding jobs at Puerto Real near Cadiz, a giant project which Spain completed just as the 1973 oil crisis struck.

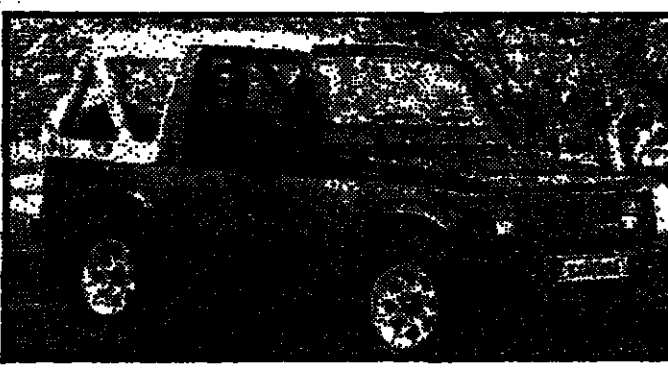
Under the Franco regime in the 1960s, a big effort was made to develop industrial "poles" particularly Huelva and the Algeciras area facing Gibraltar. The chemical and refining complexes, in the judgment of Mr Julio Moreno, Secretary-General of Andalusia's Industrial Promotion Institute (IPIA), "were not bad for Huelva, but did not bring much benefit either."

Economic activity

Sectors as a percentage of total

	Employment	Value		
	Andalusia	Spain	Andalusia	Spain
Agriculture	26.2	17.5	11.0	5.7
Fishing	1.5	1.0	1.5	0.8
Mining and oil	0.9	0.9	1.6	1.6
Water, gas, electricity	0.8	0.7	1.8	2.2
Manufacturing	14.8	23.8	18.3	23.6
Building	9.8	8.4	8.1	6.6
Transport, communications	4.9	5.5	6.2	6.8
Commerce	12.5	12.7	12.3	12.3
Banking and insurance	2.3	2.9	3.9	5.3
Civil service and defence	8.7	5.0	8.7	6.6
Education and health	7.2	6.9	8.0	7.7
Hotels etc.	6.7	5.1	5.6	5.0
Other	8.9	9.5	18.1	15.9

Source: Renta Nacional De España 1984, published by Banco De Bilbao



Suzuki's new Santana model at Linares

The tendency today to dismiss these initiatives is perhaps unfair, but the plants were isolated developments that had little to do with the rest of the regional economy. The big-project philosophy has been replaced by emphasis on Andalusia's considerable own resources.

For all its dependence on agriculture, there is no flourishing agriculture-derived industrial sector. IPIA, which is now being fused into a more muscle-bound promotion body, has concentrated on schemes such as the processing of farm products, from the subtropical fruit of the Malaga and Granada coasts to mountain agriculture,

marble from the Sierra de los Filabres in the wilds of Almeria, and cork from Cadiz. Huelva and Seville, since these are almost all small projects, the policy is to integrate as much as possible, for instance by promoting joint marketing efforts by food producers.

This means both creating new sectors (such as farm equipment supplies for hot-house farmers) and reviving old ones (for instance blankets in a mountain area of Cadiz which once used to produce ponchos for the Latin American market).

The creation of an autonomous government in Andalusia five years ago led to important changes in the channelling

of finance. The Junta (regional government) has been able to bring in all the financial institutions operating in the region to provide special credit lines to small and medium-sized companies, a category into which 80.2 per cent of companies fit.

Autonomy has also brought a certain amount of conflict and confusion between different bodies. An "economic reconversion" body, SOPREA, became in practice a financial promoter, taking part as a partner in new projects and providing credits and guarantees. However, INI, the Spanish state industrial holding group created by Franco, already had a regional development unit in Andalusia, SODIAN. In addition there was the new industrial promotion unit IPIA, which was given the role of identifying and studying potential projects.

In an effort to create a more rational framework, especially for the channelling of EEC funds, a new Andalusian Development Institute (IDA) is now being formed by merging SOPREA and IPIA.

Two things above all have held back industrial development. The first is poor land communications with the rest of Spain and therefore with European markets.

"Whenever there has been an investment programme it has always stumbled on the problem of infrastructure," says Mr Manueta Luna, a genial hotelier who heads the Andalusian Employers' Confederation (CEA). He cites as the most recent example an ambitious Rotterdam-of-the-south project for Algeciras—a fine natural port, but no good land links to anywhere.

The transport problem is now beginning to be seriously tackled, with the region taking a large chunk of a massive Pta 2,100bn (£10bn) national railway plan and with new road projects including a transversal route which will reduce the seven

hours-plus drive from Seville to Almeria.

The other main handicap is lack of business tradition. "We have a few good entrepreneurs but not many," admits Mr Otero Luna. Salaried careers in the civil service or big organisations have always tended to be better viewed. "Our own sons don't want to be entrepreneurs."

Foreign investment has also shown some hesitancy, except in the leisure and property sector. Japanese companies, more than EEC companies, have recently been most prominent. Already with a share in the Accerinox steel plant at Algeciras, Japan has increased its presence with Suzuki's entry into the land rover del Santana Vehicle Company based in Linares and the upgrading of Fujitsu's electronic interest in Malaga, through a new majority-controlled joint computer venture set up last year.

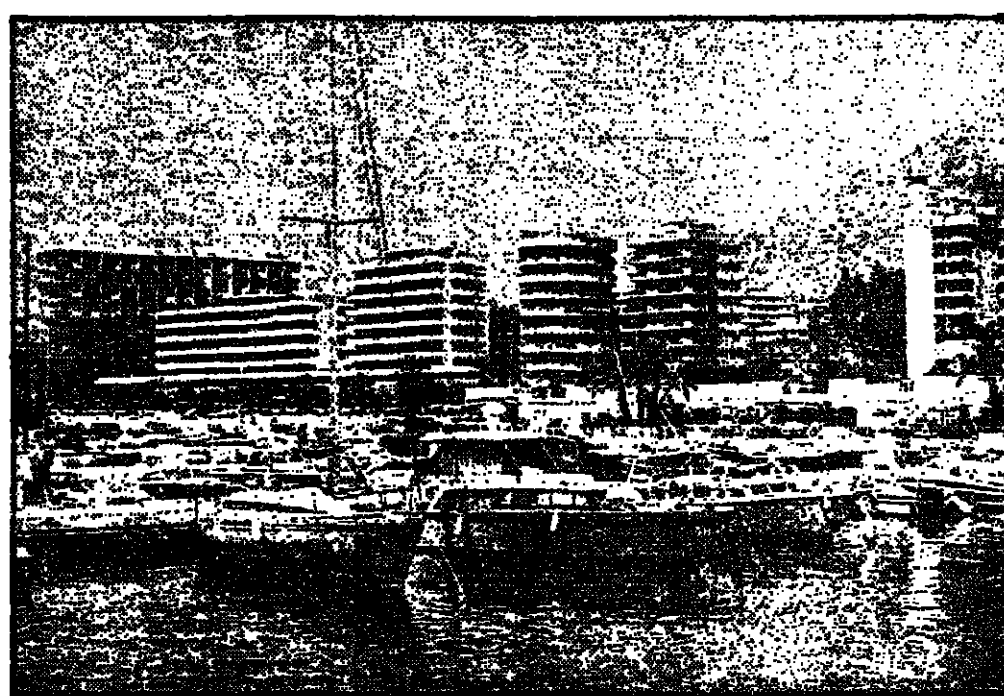
Fujitsu's commitment, which includes a research and development centre, provides a basis for an ambitious "technology park" project in Malaga due to start up in 1992. The idea is for a kind of industry that not only spares the environment for tourism but in which the region can use its sun-belt life style as an attraction for investors. Some regional officials, however, question whether Andalusia really has convincing advantages for this kind of industry.

Although there is a large available workforce, it is mostly poorly-qualified.

For all the inherited obstacles, however, both businessmen and officials see some encouraging signs of a new spirit. Mr Moreno points out that the region has only had its own promotion organisation since 1983.

"We did not start at zero, but at minus 10," he says. "Now we are above zero."

David White



Yachts at anchor in Marbella's harbour

Marbella

Paradise for 'La Jet'

DEPENDING ON who you talk to, what you read and where you go, Marbella is the genuine article or a passable, sometimes irritating, fake.

Marbella can be viewed as the showpiece resort on the Costa del Sol or as just another very sunny place for pretty shady people with a lot of paddle tennis courts, golf courses, boutiques and marinas thrown in, to lure wealthy innocents abroad.

But there are other perspectives to Marbella. No where else in Spain are more people employed and no where else are the young and the aged better cared for. Again, the whole issue of Andalusia developing into the California of Europe is now where more relevant than along Marbella's 28 kilometres of Mediterranean coastline.

The place is certainly a poseur's paradise. There is every likelihood that a GB registered, gold-plated, Rolls will be parked outside the Marbella club or Puente Romano or on the quay of Puerto Banus. Longtime Costa resident and local gossip columnist Bettina Brown (wife of a film producer and mother of journalist Tina) monitors fads such as using best caviar as a face moisturiser and giving dinner parties of fish and chips served on yesterday's Fleet Street tabloid.

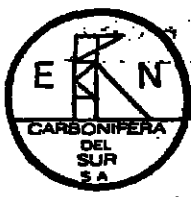
At times the shadiness is glaringly obvious. Every so often the Costa hits the headlines as crook's corner and as a centre for laundering criminal assets. In periodic drug busts, police round up Spaniards and foreigners alike and impound

sleek sports cars and sleeker yachts.

Unwelcome publicity is arguably countered by blanket summer coverage of the Marbella comings and goings, what the Spanish pulp weeklies simply call "La Jet". From July to September a cast of showbiz people and aristocrats attends a succession of ostentatious hooplas. The birthday bash given by arms dealer Adnan Khassoggi is the high point of the social calendar.

Mr Jose Luis Rodriguez, the mayor of Marbella, says he has never met Mr Khassoggi. A teacher by profession, Mr Rodriguez is a member of the Socialist party and he says he is "not the mayor of La Jet". There is, however, "absolute

Continued on Page 6



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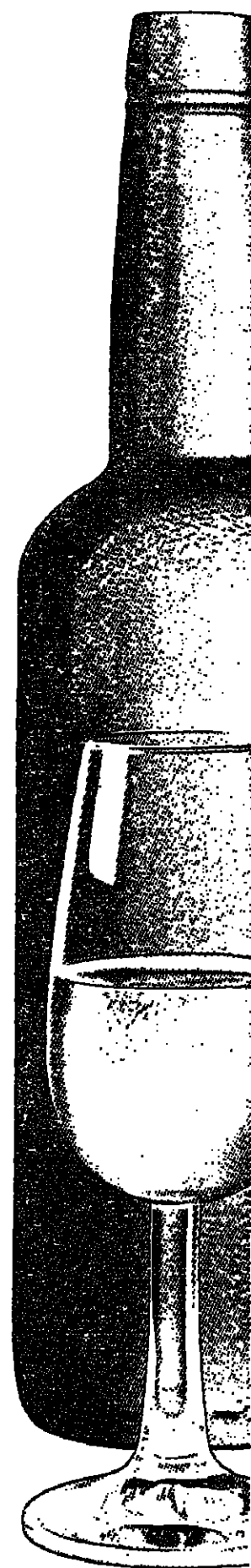
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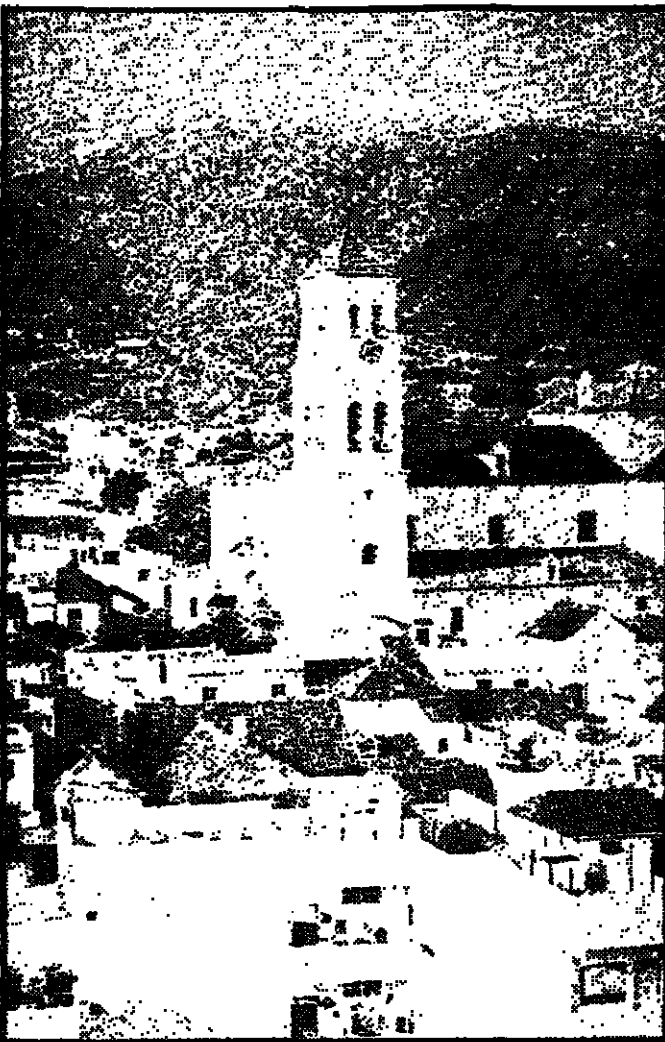
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ANDALUCIA 6

Paradise for La Jet



Marbella's picturesque old town and church

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mutual respect" between Mr. Rodriguez, who keeps the works of Oxford historian Raymond Carr by his bedside, and the likes of Guntilla Von Bismark, Marbella's chief party raver and a great granddaughter of the German guns and butter Chancellor, who fills voluminous scrapbooks with cutting about herself and her friends.

"I respect them in their world and they respect me in mine. We're each where we are," says Mr. Rodriguez. It is a tolerant arrangement that works entirely to the advantage of the two Marbellas.

Highly profiled champagne cappers at the local Regine's and elsewhere in the resort help attract investment that, in construction alone, totalled Ptas 49bn between 1983-86. Mr. Rodriguez's council takes 2 per

cent of that straight away in building licences and Marbella has, as a result, become an oasis of enlightened welfare programmes.

School tuition is free in Spain but not so text books, school meals and the school bus—except in Marbella. Mr. Rodriguez's council spends Ptas 150m a year subsidising these extras and, over the past four years, it has nearly doubled school places to the present 12,000.

The council's high society-inflated annual budget of Ptas 4.3bn is nearly four times greater than that of an average Spanish town with a population of 85,000.

Mr. Rodriguez spends a lot of money keeping the beaches clean but he has also pioneered independent service apartments for the elderly. Four such

buildings, each with 24 units and a qualified staff, have been built in the past two years and two more are planned. Elsewhere in Spain old people's homes are the norm.

There is no reason to suppose that the investment boom, and the accompanying welfare, will end. On the contrary, confidence in the future can be breathtaking.

Puerto Banus, the trend-setting marina on the municipality's southern limits, is a case in point. People are moving out of the bijou Andalusian pueblo-style apartments because it has become too noisy and because real estate companies, who are moving in to open up offices, are offering good prices.

The marina can at present dock only one 150 metre plus yacht and Mr. Klossog's "Nabilla" occupies the mooring for much of the year. It is reckoned that there are 200 super yachts worldwide and Puerto Banus is embarking on an ambitious expansion in order to provide space for 40 of them at any one time.

Two more de luxe hotels are to be built shortly to add to the five top-notch establishments that Marbella boasts at present and a further two to three golf courses are planned. There are already seven 18-hole courses in Marbella, several of them designed by Robert Trent Jones.

Just outside the town's southern limits Dominio Internacional PLC is completing a first 60-unit phase of a major secondary-cum-permanent home development. Apartments, which sell complete with a jacuzzi on the terrace and a "panic button" by the bedside, are going for around a quarter of a million pounds.

Dominio Beach is on a par with other top people's estates, built around golf greens and pleasure harbours, that soak up Marbella's enviable micro-climate. Their occupants can write home about neighbours that range from Deborah Kerr and Sean Connery to the Duchess of Alba and King Fahd of Saudi Arabia—although in truth the king has not visited his villa, which is a not-so-mini replica of the White House, for the past three years.

If, however, the California image is to come properly into focus Marbella has to offer more than just exquisite leisure living and avocado farms, of which there are more and more filling up the gaps between the housing estates.

Farseeing planners on the Costa insist that communications have first to be improved.

Visitors cling to the coast and the premier Andalusian cities, Cordoba, Granada and, of course, Seville, receive only day-trippers. Scenic, architectural towns such as Osuna and Ecija, two of a number that are steeped in history, are rarely visited at all.

A particular feature of

Tom Burns

Development of the tourist industry has been lopsided, Tom Burns reports



Holiday time: a crowded beach on the Costa del Sol

Tourism

Visitors cling to the coast

ANDALUCIA SUFFERS from all the tourism imbalances that afflict other Spanish regions. It is a seasonal industry, it is too dependent on the charter flight clients at the lower end of the market and it is weighted towards the coastline.

Such problems can appear aggravated in Andalusia. A city like Seville cannot house all those who want to visit it during Holy Week and during the week long high fiesta jinks of its April feria. But hoteliers have to fight for business the rest of the year.

Torremolinos is a resort that has for years battled with the fine profit margins of the tour operator sector. In the 1960s it opted for mass, cheap tourism and it is inexorably stuck with it. Off-season it is forced to slash its prices.

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Andalusian imbalances is the lopsided development of its coast. Tourism is concentrated on the Mediterranean Costa del Sol or more exactly on a particular stretch of the Malaga coastline. Elsewhere development is still in its infancy or, as in areas of Huelva's Costa de la Luz, almost non-existent.

It is in this specific area that most is being done to establish an equilibrium. Keynote projects are on line on the Cadiz, Atlantic coastline and development is spreading slowly but surely, north of Malaga and into the Granada coast.

The seasonal problems of the tourist sector hinge on the development of the secondary homes and retirement market as much as on the year-round use of the resort facilities. Officials in the Junta de Andalucia have since the beginning of the decade been using buzz terms such as the Florida/Miami of Europe with the same intense convictions that they speak of the California of Europe.

A village such as Mijas, just back from the Costa del Sol, where more than half of its

20,000 plus population is non-Spanish illustrates the manner in which the sun-belt syndrome can be successfully realised. Mijas has a well-established British, Scandinavian and German resident population and yet retains the white-washed, picture postcard, Pueblo atmosphere that first attracted the northern European immigrants.

The more obvious purpose-built Florida/Miami developments are on the Costa del Sol itself, built around marinas and golf courses, with a health club in each block and foreign periodicals crowding out the Spanish publications on the news stands.

Torremolinos, Benalmadena and similar high rise package-tour resorts are battling with tourist meccas such as Benidorm on Alicante's Costa Blanca to lure senior citizens for winter sojourns in the sun.

Internal tourism in Andalusia looks to the ambitious plans of Expo 92, the Seville World Fair and Exhibition in five years time, to spur its development. The transport, road and rail, infrastructure that has been

mapped out for the event marks a decisive break in the region's isolation from the rest of Spain and in the communications between one Andalusian province and another.

Huelva's Costa de la Luz stands to gain handsomely from the projected bridge that will link the border town of Ayamonte to Vila Real in Portugal across the Guadiana river estuary. The bridge will end the present dependence on a ferry system that can barely cope with the high season demand.

The Ayamonte-Vila Real border is unique along the frontier of the two neighbouring countries in that it is the Portuguese side of the border which is more developed. Junta officials expect that the up market facilities of Portugal's Algarve coast will spill over to Huelva once the bridge is operational in two years time.

Plans have, in particular, long been drawn up to develop Isla Canela, close to Ayamonte as a major marina and all round leisure centre. This new resort would link up with one already functioning near the estuary of

the Guadalquivir river, Puerto Sherry in the bay of Cadiz.

With Ptas 3bn of real estate already built, 200 yachts already moored in its marina and the social centre due to be inaugurated in time for this summer's season, Puerto Sherry has taken definite root.

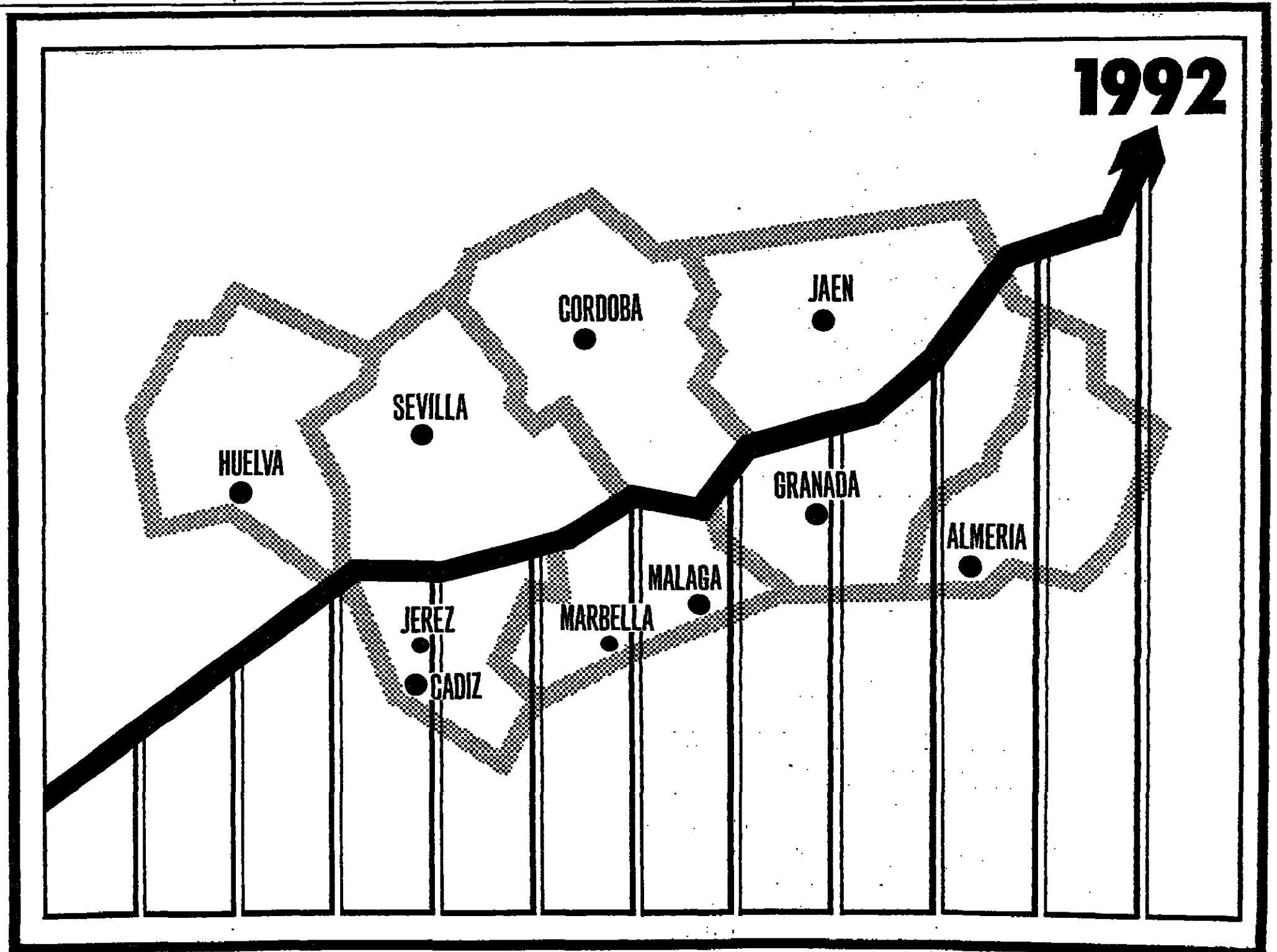
Promoters of the resort label it an integrated concept with total facilities for sport and relaxation built around a marine village. In a second stage development 600 apartments will be built alongside the present complex of a sports harbour, a dry dock, a convention and social centre and a total of 360 studios. When the project is finished at the end of 1988 there will be berths for 800 yachts of between 10 and 50 metres.

Backed by Saudi money channelled through Madrid's Arab Bank, Puerto Sherry has attracted both SODIAN and SOPREA, the two Andalusian development agencies as minor shareholders.

Tom Burns



JUNTA DE ANDALUCIA



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